

P U B L I C H E A R I N G
before
SENATE TRANSPORTATION AND COMMUNICATIONS COMMITTEE
on
Rail and Bus Fare Increases by New Jersey Transit

Held:
April 6, 1981
Senate Chamber
State House
Trenton, New Jersey

MEMBERS OF COMMITTEE PRESENT:

Senator Francis X. Herbert, Chairman
Senator Frank X. Graves, Jr.
Senator S. Thomas Gagliano

ALSO:

Joseph P. Capalbo, Research Associate
Office of Legislative Services
Aide, Senate Transportation and Communications Committee

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to upgrade Transport of New Jersey and the Maplewood Equipment Company, which companies we acquired last October. But, it seems to me that we did not realize the full extent of the depletion of some of the ranks of those companies at the time of acquisition. We bought 18 garages, some of which are in deplorable condition. This is the supposed floor of the garage in Paterson, and this is where the employees spend their interim hours between runs.

Many of the facilities we acquired weren't designed to be bus facilities, but rather trolley facilities and they need some fix-up. There is not a storm window in the entire property, for example. From the perspective of energy savings - an important aspect of our operations - we are no where and we are beginning to try a clean up and a fix up of these facilities.

We are reinstituting driver training. I just received a disturbing letter the other day from a patron of the Maplewood Equipment Company. The driver went down the wrong street and in the process missed an entrance ramp and it caused a 25 minute delay for the people on that bus in getting into town. That is not the way it should be. We are reinstituting a driver training and courtesy program. There is no real excuse for that kind of a situation. But, if you are not working, particularly with some turnover in the work force, to consistently emphasize courtesy to the user and what is expected in terms of operations, those mistakes occur.

This Committee - and, Mr. Chairman, you sponsored a bill for this - allowed us to use up to \$10 million of our bond money, and we are going to use it well to rehabilitate buses. These are some of the examples of the work which is occurring on those buses, both on the underside of the buses and the inside with seats, windows, lights, racks, and the like, going back into buses. We are painting these buses, and what we are having back out on the street are like new buses, ready for another five or six years of good service and dependable service -- something that is premium.

We will present to our Board next week an expanded program, such that we hope over the next three years to rehabilitate 525 buses. We are seeking 80% federal aid. In the event we don't receive it your backpinning of the bond money is crucial and we will in the process get over 200 buses, for sure, out in the next years.

The next two or three slides are representative of some of the aged, antique equipment that we acquired -- some old vehicles and cars. This one has something like 370 thousand miles on it. This is a supposed supervisor's car, but with 370 thousand miles, you can imagine the lack of dependability.

We are adding to the work force at TNJ. We are adding to it because if we want clean buses we need to expand the bus fleet -- the amount of hours and the cleaning crews. I might note that on the outside we have something like eight of nineteen garages with bus washing machines, and one of these days we hope to be able to wash our buses with regularity again.

In terms of capital initiatives at NJ Transit, the most visible of these, obviously, is the dramatic need for New Jersey to acquire new buses. We continue to have the nation's oldest bus fleet. We continue to be trying to be doing something about it.

I will quickly run through some of our initiatives in the capital area. We have on order for use in the Raritan Valley and North Jersey Coastlines 117 new coaches. We are rebuilding stations. This shows Rutherford before

and you will see it looking as it does now, after that work was done. In Maplewood we are putting that old station back together and painting it. It is one of the most heavily used on our system. We have rebuilt some locomotives, and just a week ago we concluded negotiations for 17 new locomotives to pull those new cars that I mentioned a moment ago on the Raritan Valley and North Jersey Coastlines. We are rebuilding Arrow I and II's. We are not going to pull the mistake that a number of cities have made, or a number of areas have made, of running our equipment into the ground and then trying to rebuild it. It is imperative that we continue to maintain our equipment, and the Arrow I and II's are a good case in point of that philosophy and practice.

Likewise on track, we are rebuilding track. We have a five year program and we are about one year and one-half into it. We have done rebuilding of a couple of hundred miles of our railroad track.

Electrification to Matawan will be done this year and by the end of next year there will be reelectrification of the Morris and Essex lines, something that is admittedly behind schedule but since Commissioner Gambaccini assumed office we set a schedule and we are adhering to that schedule.

We have acquired some equipment and are rehabilitating buses. These look strangely like Grumman Buses to me. We will soon be informing you of the results of a very intensive review with the Grumman Flexible Company. I would note here that New Jersey Transit is the only agency in the country that applied for and received from the Grumman Company a suspension of the contract without impact on delivery date or cost. We have spent our Saturdays at Bethpage and at Garden City and at other places, and we are very aggressively pursuing this contract. We have met on two occasions with Administrator Teal of the Federal Urban Mass Transportation Administration to discuss this matter. It is fraught with potential litigation implications, but that doesn't frighten us because we are committed, and we remain committed, to buy buses that work.

In the last year we have done something like 18 stations, where we fixed up parking as well as the station rehabilitation that I have mentioned here. By the end of next year we will have 600 bus shelters up as part of a broader program. We will put about 2500 of them up by '85.

We are kidding ourselves in a way in this process of putting in these shelters. We are sort of waiting. We have been waiting for localities to tell us where they want these shelters. It seems both to us and many local people that we have talked to that we ought to give ourselves a mutual deadline and make decisions about shelters. Unfortunately, in many instances we can't put them up because they are illegal and localities are changing their local laws to allow us to do it, to put up bus stop signs and information systems, particularly in areas where transfers are common.

One of the best kept secrets around is our Newark subway that carries 15,000 users a day. We are attempting to rebuild this subway, which is a vital part of the economy and the transportation of many of our citizens of Newark. There are some deplorable conditions that exist on this particular system. While the facilities on the outside may be deplorable, it is one of the best maintained rail transit units in the world. The cars are dependable and they are that way largely because of the commitment and quality of the employees who maintain those vehicles.

This slide is important because you have every right to know what

we are doing to seek to control cost. We think we are trying to do a number of things, not all of them full blast because there are physical limitations as to how much we can do at any one time.

We are pressing ahead vigorously on some reforms in the rail area. That is why Commissioner Gambaccini and we at NJ Transit were the first people in the country to press for a Northeast Corridor Corporation and some significant labor change is tied into that.

Take the third item for example. We moved at the Maplewood Equipment Company to self insurance and in the process we have saved one-quarter of a million dollars a year. We acted aggressively on bus trips to the casinos and are saving a couple of hundred thousand dollars there as well.

On the next to the bottom here, dealing with this route restructuring, it is a complex issue and we are constantly torn between getting the job done - because some savings may be possible - on the one hand, and on the other having full involvement of the transit operators, and of the cities themselves affected by the changes, and, importantly the business interests and the citizen interests that exist. That is why our schedule in Middlesex, for example, is behind what some would have asked that it be. There is a mammoth job in Newark and Elizabeth. One hundred seventy five thousand bus riders a day are affected by that route restructuring. What we are going to do is take some of the savings emerging from that effort and put them back into the system -- street checkers and the like. This is something we don't have at our bus company and we very much need.

That is by way of trying to provide a setting. What I hope you believe, what I know I certainly believe, is an aggressive management philosophy that says we should get the best for the dollar we are spending. But, there are genuine limits to what we can get when we are buffeted by some of the economic forces at work. On one side what they translate into is the unhappy news of this hearing and in transit of the last month -- that is an \$80 million gap between anticipated revenues available to us, on the one hand, and the costs of running our buses and trains.

You will note that expenses are up \$65 million and revenues, as contrasted with our forecasts, are down by \$15 million. I want to emphasize here that we are not losing transit ridership at NJ Transit. Rather, what is occurring is that the anticipated growth in ridership that formed the basis of budget projections for revenues in the fiscal year we are now in and in the next fiscal year are not living up to what we thought. Worded differently, we thought we would increase ridership this year by 5% and again next year by 5%. What is happening is that ridership is essentially remaining flat and therefore the revenues that we have expected to get because of the double 5% increases are not materializing.

I will pause, if I can, with the slides and address your question, Senator, about why bus ridership isn't increasing, or why it is decreasing, or whatever -- and the same in the rail area. Part of it is the importance of getting on with the capital improvements I just summarized. We have the nations oldest bus fleet. We have old and unreliable equipment running on several of our rail lines, particularly on the Raritan Valley and on the North Jersey Coastlines. We have, Lord knows, the oldest operating railroad equipment in this country on the Erie-Lackawanna. So, that is the real reason. It

is the age of the equipment to a degree, and it is unreliability and unpredictability. In the bus area, I feel as a transit user myself that our dirty buses are clearly one factor, in addition to their age, that causes people, if they do have a choice, not to ride those buses. We have not in any systematic way washed our buses since last October when we bought the bus company. The reason we haven't done it is because we are not allowed, due to the drought conditions, to wash those buses. It is a discouraging and a disturbing matter. We have appealed to DEP and hope to get an okay to wash our buses once a month, something we don't find terribly unreasonable. As we have been rennovating buses, obviously we have been washing them.

Let me go through the rest of this quickly because I know time is a concern. This is all in the material, so I will cut through reasonably quickly. This is a chart that shows the anticipation of some \$15 million. This is prior to any fare increases -- \$15 million less next year than this year.

In terms of expenses, Mr. Chairman, you cited the increase at TNJ and there are some other increases cited here, including an increase from \$9 to \$11 million in program management at New Jersey Transit, a matter I would like to comment on directly.

In terms of expenses, 61¢ out of every dollar that goes into labor is probably the lowest in the country of any major transit operation. We are buffeted by increasing costs in a couple of other areas. Some of it is in materials, but we are investing in equipment. This is something that didn't occur for a decade at TNJ when in private hands -- equipment such as lifts to pick up those buses so we can repair them.

These are the expenses by line item, both absolute dollars and percentage increases. You see in fuel, for example, that we are up some 30% and I can more graphically show you that in a moment.

You see in the period from '76 to '81 the crushing increase in diesel fuel, and my fellow transit operators here, whether they be private or public, have gone through the same story. That is the picture from '76, and this shows you what has occurred a little more in the last year. It helps account in part, but by no means for the full cost increase that we are dealing with.

We have identified a matter that is a first instance issue in analyzing costs. It is the component of that 61¢ of each dollar, the labor costs. We are very concerned about the fact that 20% of our people are carried on trains, yet 44% of our labor cost is dedicated to carrying those 20% of people. Now, on face value that is obviously a concern. The situation on a per passenger mile basis continues to be a concern though. While most of our citizens who ride trains travel longer distances, it doesn't equate to anything like comparable cost for the bus and rail user. Labor costs are high and we are working in the complex universe of federal law, quasi-public, and public corporations -- private corporations with public funding. By that I am talking about the federal government; I am talking about Conrail and Amtrack and a whole set of labor agreements that went into the creation of those entities, which we essentially are confronted with. There are forces which are clearly at work when zeroing in on the labor dollar.

Now, the fiscal year that we see, beginning next July 1st, finds some additional unusual events which haven't occurred previously. A couple

of million dollar cut is being made in the subsidies for the so-called "series 200 trains" that ride on the Northeast Corridor. There has been introduction of an elderly-handicapped free fare program on off-peak hours. The improvements that I cited at TNJ and Maplewood have to be made. They are needed in order to make that bus company the quality company it really has to be in this State. Finally, there has been an initiation for some transportation service in the less urban parts of our state.

From a relative point of view, we find ourselves in a most unusual situation. For the first time in nearly a decade three different things are happening: Federal aid is beginning to decrease. Although the major impact of the President's proposal to phase out federal operating assistance won't hit for two or three years, that proposal calls for the total elimination of federal subsidies, which now total some \$56 million per year, by 1985. State aid is leveling off. And, finally, as I indicated earlier, we are not experiencing ridership increases.

Logically people want to know where our money comes from, and this chart shows, prior to our dealing with any fare increases, how the dollar of revenue is generated. You will note in here that the feds pick up about 16¢ of the dollar, and the state picks up the rest. There is a 1% in there that is for advertising revenue and the like. Those are the three major sources -- sixteen, twenty-eight/twenty-nine from the state, and the balance, 55% from the fare box. That is in contrast to Los Angeles, which is 41%, and Atlanta, which is around 30%. Most cities, other than New York, are under 50%. New York's is right about 55%.

Once again, there is the unhappy picture of an \$80 million shortfall. We are proposing to staff, and the Board has asked that we bring about that public hearing approach to deal with that shortfall. A 50% increase in rail fares will generate \$19 million in increased revenues. And, true to your charge, Mr. Chairman, we are proposing efficiencies and economies but they will hurt. They will hurt some people. They will hurt employees, who will no longer be working, and they will hurt some users whose convenience may not be as great as it is now. The efficiencies in the rail area that we are proposing total some \$10.9 million.

In the bus area, we are proposing some minor service reductions, a cap on our reimbursement on the elderly-handicapped program, and a 50% fare increase, which taken together will produce a bit over \$39 million in revenue. That still leaves us with an \$11 million shortfall, which we propose to make up in the absence of achieving major cost savings in the labor area - a production that is uncertain at best - through a further increase for our rail users only. It is some 20% to 40% and some alterations in service that will affect people. We are in a classic situation here of getting the fat out. One person's fat is another person's dinner, so it is a little bit difficult to do this without impacting some people. It is going to impact a lot of people, including the users, through this three-pronged approach of fare increases, bus and rail service economies, and then a second phase approach in January.

Now, this chart shows you what is going to happen in terms of who pays as the user for our transit system. You will see now that currently the rail user pays on 39¢ of each dollar. Our bus user pays a higher percent.

That is part of the logic of this second phase increase for rail users only. The net effect of all this is going to bring to two-thirds of every dollar, from currently 55¢ of every dollar, the amount that the user pays. We are going to have fewer users though, and we have built these into the projections. We are not happy about it but realistically we will lose ridership as a result of these increases.

In the bus area, we are projecting something like a 12% drop, and given the unprecedented nature of these fare increases in the rail area, we are guessing at somewhere between 15% and 25% in losses.

If that were all it would be bad enough, but it isn't all. One commitment that I hope I have made to each of you gentlemen and I have made to those with whom I do business is that it is crucial that we lay the facts on the table, and the facts are not particularly good in public transportation as we look ahead. We find, looking to the decade of the '80's, a proposal to fully eliminate federal operating assistance. Nearly \$60 million currently in this fiscal year is available to us from this source. What we are showing on the chart is the impact of the elimination of federal operating assistance by mid-decade.

There is a concern about increasing state aid for public transportation. We have made that assumption. I showed you earlier the impact of higher fuel costs. We have no reason to expect anything but a continuation of the same in the years ahead.

Inflation is a reality. We can hope that lots of proposals work. If they work, our assumptions get reduced a bit. But, we are making a couple of assumptions about increased cost.

Finally, we do have to pay the price of labor agreements, some of which we negotiate ourselves. In fact, we are in negotiation now with our principal wholly-owned subsidiary, Transport of New Jersey. We will, later this month, have a contract expire with Maplewood Equipment Company. I think we are responsible negotiators, just as I believe the unions are responsible negotiators from their perspective. We are straddled with a cost of living increase in the rail contract and we have to pay the price if we want to continue to run the trains.

What this slide shows is the impact of federal aid being eliminated by '85, the continuation of state aid at its current level, and cost increases of 10% per year. If what now is a shared responsibility among Federal and State taxpayers on the one hand and users on the other is entirely shifted to the user, and if costs go up 10% a year, we can unhappily look forward to 35% to 45% increases in fares per year over time. If 15% increases in costs plague us, the increases will be in the range of, as you see here, 45% to 55%.

So, Mr. Chairman, and members of the Committee, that is the context of our deliberations. I would now like to briefly touch on a couple of the questions you pose, Mr. Chairman. I hope I can respond to any questions you might have and I look forward to the thoughts of others who will be before you.

I said a moment ago we are in a classic situation here. If we cut service, clearly it is going to impact on people, just as raising fares unhappily

impact on people. So, legitimate concerns exist. The first of these is control of labor costs. We have proposed a Northeast Corridor Corporation. We are straddled with the implications of Title 5 of the bill that set up Conrail, which provides lifetime guarantees and associated salaries. There are some work rules which are difficult for us to deal with, given the fact that Conrail is a negotiating agent.

The second question is about duplication of service. We are working aggressively with transit operators and the local communities to avoid duplications of service. You posed the question about service on Route 9 corridor. We don't believe - I don't think Lincoln believes it either - that we have duplicative service there. We have coordinated schedules such that there are two transit providers running into the same destination. We could conceivably, either of us, cease operation and we would have one provider of service, but in effect we would be serving the same number of riders there. We don't think that we are necessarily providing an efficient service. To enhance our prospects of mutually doing a better job, we are working with commuter groups in that corridor and intend, along with Lincoln, to see what we can do to maximize the use of our equipment in that corridor.

We are spending some more money at transport of New Jersey and at the Maplewood Equipment Company -- there is no question about it. If we don't spend some more money, the company will probably collapse in the sense that we have deferred investment in that company for a decade. We are adding street checkers, we are adding additional cleaners, and washers of buses when it is okay to start washing them. We are putting in 23 additional people to rehabilitate buses. We have talked about the prospects of this bus rehabilitation program, and I can tell you that we are building parts for the buses that we are rehabilitating at 35% of what we would buy these parts for on the open market, because it makes good business sense to do it. I hope we can have an opportunity, as I did for several hours the other day, to go through those Ferry Street yards and see the kind of work that is going on to rehabilitate buses. I think it embodies the best of what this corporation is.

Finally, you posed - properly so - the important question of New Jersey Transit administrative costs. It is important that I clarify what those administrative costs cover. They are wages for me and my associates' services. They are materials and supplies and rentals. They are also things like insuring our 1,000 vehicles here in the state that are rail. All our locomotives are covered there as well as our passenger cars. We have a program of marketing that is important and it is included within NJ Transit administrative cost, as is the match for our rural transportation program. We are seeking to maximize reimbursement for the federal government for these administrative costs. The figure that you see represents a full year's staffing of N J Transit. The \$9 million figure for the current year does not reflect the full year's staffing because it reflects the actual cost of employees during the period when they were here.

Our three percent of total cost budget is probably the lowest in the country of any transit property. That doesn't mean that it ought to be higher, but I hope it means that we are doing a thoughtful job and a responsible job of managing what is a one-half billion dollar program of operations and capital improvements here at N. J. Tansit.

Mr. Chairman, you indicated that you are seeking resourcefulness in addressing the problem that we have before us. I hope, as the principal manager at N.J. Transit, that I have conveyed to you a sense of commitment to resourcefulness of the sort that brought us federal aid to buy out Transport of New Jersey at no cost to the taxpayers of the state. We need advice and comment from you and those who testify here today. That is why we are holding 16 public hearings during the week starting the 13th through the 23rd of April. It is important that we hear ideas and ways that more responsibly and competently help us to run our bus and train systems.

That is a set of thoughts I wanted to share with you. I hope it was instructive in providing a basis for what is before us.

SENATOR HERBERT: Okay. I have a couple of questions. Has the Governor, in fact, signed S-3058?

MR. PREMO: I don't believe he has signed it yet. No, sir.

SENATOR HERBERT: As you know, Jerry, I was the sponsor of the bill that created New Jersey Transit. Now, of course, we are caught in a political situation - and I am in politics. People are now saying to me, "Did you not make a mistake? You promised greater economy with the creation of N.J.T., and now look what you have given us. You have given us a 50% increase in fares, at least. I respond by saying, "Where would we be if New Jersey Transit had not been created? You know, there is just this minor fantasy. Where would we be if, in fact, there was no New Jersey Transit and TNJ was still struggling to get along right now?

MR. PREMO: Well, I can speculate on that.

SENATOR HERBERT: I want you to.

MR. PREMO: I think we'd find ourselves with a significant amount of service reductions. TNJ, as you well know, is a subsidiary of Public Service Electric and Gas, and that is a money making company as a parent company. We were providing state subsidies to the private company. It wasn't as if there was no state involvement, in the first instance, with the support of transit operations in this state. What we had prior to the acquisition was an arrangement where you the legislature would appropriate money. You would provide it to DOT. It had just about the same amount of people working there on transit matters as are now working at New Jersey Transit Corporation. The money would in turn be passed to the private company, but with a strange set of conditions. There was no direct accountability on the part of the people you gave the money to -- that is, the Transportation Department -- to see that things were occurring at the other end. I can say to you that things are occurring in restructuring bus service in Newark and Elizabeth and I can say that going into effect on the 27th of June will be the first major route restructuring since the mid-'50's.

Now, what are we going to do in Newark and Elizabeth? We are taking 40 buses out of peak hour service, but those buses we will be running will be geared to the living and working patterns that now exist in Newark. We will be closing a garage, not because we love to close garages but because it was inefficiently run -- 42 buses out of a garage. The overhead was very high there. I don't think we would have embarked on the kind of bus rehabilitation program that we are moving on now. We wouldn't have been as aggressively trying to sort out in Passaic County the five subsidized carriers who are

bumping into one another, but who don't have coordinated schedules. We wouldn't have, as a board, adopted what we adopted, but I failed to emphasize in the presentation the first urban bus pass in New Jersey, which we are starting out in Newark and Elizabeth with. We have discounts for our rail users, up to 40% and 45%. We have discounts for our commuter bus users. But, the person who lives, for example, in Newark doesn't have a discount. We are hoping with something like about a 15% or 20% on a monthly pass, good for unlimited use, to enhance the riding habit, and based on the experience there we will go statewide with that kind of a program.

In summary, where would we be? My guess is we probably would have more of the same.

SENATOR HERBERT: Do you think we would have the kind of increases you are proposing?

MR. PREMO: I think we would have close to it. Some of the increase is because as a staff person I am making a recommendation to the Board that it makes sense to go up another five percent or so on the fares and deliver a better product, deliver a cleaner product and a more reliable product.

SENATOR HERBERT: In New York they surveyed subway riders. Those riders said that they would pay a dollar in subway fare if they could count on on-time service and clean cars. Have you had the same reaction from your commuters?

MR. PREMO: We are working with the Eagleton Institute. They are going to be talking to a lot of our fellow citizens in the next few weeks to get a reading on this. Obviously, we are asking our users to pay a higher fare and we are caught in a cycle that is a frustrating one clearly for the user, and it is certainly a frustrating one for me. We don't have our new rail cars in place: We haven't completed electrification. We don't have the new buses delivered. The user says, "Why should I pay more prior to receiving the benefits of these investments?" And, my answer is, "I wish you didn't have to, but I also have a legal responsibility to present a balanced budget. Federal aid is starting to decrease. State aid is remaining stable. There is only one source left." I am not sure that the choice is, other than what we have proposed.

SENATOR HERBERT: Jerry, just for information, when did the federal program start?

MR. PREMO: The federal program started in 1974. The bill was signed in September '74, so it was during fiscal '75 that for the first time federal operating aid was available.

SENATOR HERBERT: What alternative to the Conrail passenger service are you pursuing now? That seems to be a big problem. The thing that I am looking for down the line is, these labor contracts which were signed years and years ago are providing tremendous salaries for what seems to be very little work. These were based on an article and it assumed an average train speed of 12.5 miles per hour. So, we are paying people, after 100 miles travel, overtime -- over-mileage. If in fact we eventually take over Conrail, will all these contracts be negotiated for the benefit of the people and all of the commuters?

MR. PREMO: Well in the absence of making some changes in existing labor contracts nobody wins by the state takeover. So, it is essential

that we get some changes in the event we proceed to directly operate train service.

We own the equipment. We own the rights of way. We own the stations. So, it is a matter of who we ask to run the trains for us. But, it isn't as if there is necessarily sitting out there a labor force currently non-used, or not under contract to anybody who we could instantly tap. There are disagreements in place.

I can tell you, though, that there are a variety of non-transportation areas that we are exploring. For example, among those carriers whom we are subsidizing - TNJ and Maplewood - and Conrail, for example, we have a lot of people dealing in finances and we are examining the implications of consolidation of certain of those functions. But, it isn't there that the principal excesses will exist. It is the fact that we are now paying for manning that is not needed. I am not sure why 50 firemen are part of the tab that we pay each year to Conrail.

That is built into the federal law to set up Conrail, and that is the only game in town right now. We have proposed as part of this Northeast Corridor Corporation that there be a spinoff of what now exists at Conrail, that is a single labor contract. Passenger service only equals about 12% to 15% of the total Conrail budget, and in years past Conrail not wanting to rock the boat on national freight service, or northeast freight service, has failed to press aggressively for reforms in the passenger area, given the implications that might carry for the 85% or 88% of their business, which is freight service.

We have met with Conrail, as has SEPTA and the MTA and we are pressing for some changes in these work rules.

I will give you the most dramatic contrast between what we are doing here in New Jersey and what is occurring there. Several years ago, in negotiations of a bus contract, it was agreed that there would not be a cost of living built into the contract at Transport of New Jersey. So, that is on the one hand what we are overseeing. On the other hand, there is such a cost of living contract built into the Conrail contract. The question is, as there is this restructuring of Conrail, will Congress deny a cost of living increase to those workers? Because, in effect, labor negotiations are occurring in the Congress itself, around the bills that have set up these agencies. That is sort of a contrast and it gives you, I hope, a sense of the dilemma we face. To a degree, there is in the rail area some lack of management control.

SENATOR HERBERT: If we are successful in setting up that Northeast Corridor Corporation, at that time, with this restructuring of service and so on, can we negotiate new labor rules?

MR. PREMO: We have certainly identified this as one of the principals of the corporation. We think that a corporation where such opportunities don't exist really doesn't buy us much.

SENATOR HERBERT: We are presently negotiating with the drivers at TNJ?

MR. PREMO: Yes, sir.

SENATOR HERBERT: I seem to recall we built a no-strike clause into our bill, correct?

MR. PREMO: Yes, that contract expired on the 23rd of March, and absent that provision of the bill, Mr. Chairman, we may well have been without

bus service in this State since midnight that day.

SENATOR HERBERT: I remember putting that in and fighting about that one. How are negotiations going? If you settle with them at a higher rate than you are preparing now in the budget, will that mean a further increase in fares?

MR. PREMO: My view is that if we settle for amounts above that which we have projected, we would take it out of service rather than impact the user any more.

SENATOR HERBERT: Okay. I have no further questions.

Senator Graves.

SENATOR GRAVES: The takeover was delayed for about a year, from the date of expectation to the date of final delivery, and that concerned me a lot. I think the advice Commissioner Gambaccini should have gotten about what he was purchasing in these structures you have just amplified in a very profound statement about the absolute deterioration of the buildings we absorbed in this takeover. Wasn't Gambicini being made aware of what he was suggesting we buy?

Number two, you alluded to a decrease in the number of riders based upon the fact of the unattractiveness of our equipment today. You wanted to recondition them. You said that you would hope to do 200 within the year, which would be about two a week; yet, the Governor hasn't signed the bill, number one. And, number two, what is the status of the buses we are buying? Are you still going with the Grumman Corporation, which has not been able to get the buses back on the streets of New York, or have you started to initiate legal action to relieve the State of New Jersey of that contract in order to buy a bus that we are able to run?

You need not answer the Gambicini part. Let his staff who took down what I just said give us that answer. But, I would like to get an answer on your part.

MR. PREMO: The principal reason why we bought the company when we did, rather than a year or nine months or six months earlier, was the absolute determination on the part of the Commission and all of us, some of whom entered the game later as opposed to sooner, to insure that the workers had a fully funded pension. Senator, when you wrote the bill you set up this corporation and you insisted that the taxpayers not be straddled with unfunded pensions for these bus companies. We negotiated long, hard, and I think quite effectively, such that Public Service acquired from Aetna a \$95 million annuity to fully fund all pensions for retirees and current employees of TNJ and Maplewood. That was the principal reason for the delay.

I remember appearing before you three gentlemen--

SENATOR GRAVES: In fairness to you, I knew that. I didn't ask you anything about that.

MR. PREMO: That was the key.

SENATOR GRAVES: I said his delay. Didn't his real estate people tell him the type of buildings that he was transferring to the State? You profoundly amplified what shape they were in. I said that would be best for him to answer. What I am asking you is, what are you doing about the buses, what is the Governor doing about signing the bill, how are you going to get 200 out this year if he hasn't signed the bill, and what is the status of the purchase of the buses?

MR. PREMO: Okay, let's get to the other questions. On the matter, we can spend up to \$300 thousand prior to the signing of the bill, and we are spending those up to \$300 through some of the pictures you saw.

On the bill, I will return and give you a sense of timing on the bill today, in terms of signing it.

In terms of buying new buses from the Grumman Corporation--

SENATOR GRAVES: That's the key.

MR. PREMO: We have a contract. We also have legal representation in the form of the Attorney General, and we have a suspension. We have sent them certain letters and they have sent us stuff back. I think in the next very few days we will, in one way or another, come to closure on this contract. Our choices are pretty clear. We can go ahead with the contract, based on assurances that Grumman Corporation will have provided us, or we can cancel the contract.

SENATOR GRAVES: Is Grumman in actual production and manufacturing of buses today or have they ceased and desisted from doing it?

MR. PREMO: They are concentrating now on fixing the 2500 buses they have built around the country. They were building buses, for example, for San Jose, an order of 200. The people in San Jose, unlike us, decided they would go ahead with that purchase.

Our concern is that the fix that they have proposed may not work. In fact, our technical analysis suggested that the fix they had previously proposed would fail just about, interestingly, the same time it did fail.

SENATOR GRAVES: The public bidding that was initiated and you were awarding the contract - you waited almost until the last day to award the contract if memory serves me right - what date was that?

MR. PREMO: I remember it well. We signed the papers on the 14th of November. On the 19th of November, New York's cracked.

SENATOR GRAVES: And when was the first bus by contractual arrangements supposed to arrive in New Jersey?

MR. PREMO: Well, the contract says that all buses have to be delivered within a year of that. We don't have in there a first date. We have a full delivery by 12 months. So, by mid-November of this year, all the buses have to be delivered.

SENATOR GRAVES: Was that 275 to 325?

MR. PREMO: It is 271 currently. What Grumman is saying is, "Hey, just because we haven't worked out this whole thing yet, or may not have worked it all out ---" They claim they have worked it all out. We have some questions. They say, "Just because we haven't worked it out doesn't mean that in April, May and June we are not going to work it out, so that when we build you a bus starting on the assembly line in July or August and roll out all those buses by All Saints Day or Halloween or sometime like that, they won't all be working." So they are making the assertion that they can still meet the contractual terms.

SENATOR GRAVES: What penalty do we have a right within that contract to impose upon them if they don't?

MR. PREMO: Well, we don't have to accept the buses.

SENATOR GRAVES: That isn't much in our favor.

MR. PREMO: That's right. And we have a penalty - I don't remember - I think it is a hundred dollars a day, or something like that, of non-delivery within contract time.

SENATOR GRAVES: On each bus?

MR. PREMO: Yes. But the key is in getting buses sooner rather than thinking about what might happen then. That is why we have been as intensely involved as we have in this thing. From the point of view of the Grumman Corporation, if we try to cancel this contract, I have no doubt that they will view it as an assault on the good name of that company.

SENATOR GRAVES: As what?

MR. PREMO: As an assault on the good name of that company.

SENATOR GRAVES: I thought I heard you say that.

MR. PREMO: That is why lots of attorneys are working long hours on this, just to make sure, from their point of view, I should emphasize.

SENATOR GRAVES: If I read correctly in the Times, they haven't even put the first bus back on the road in New York.

MR. PREMO: Yes, sir, that is correct.

SENATOR GRAVES: Then why are we worrying about that kind of a law suit? Are we really protecting the interests of our constituency by sitting idly by with this contract, hoping internally Grumman can fix this bus for manufacturing, or

should we be going shopping someplace else? Shouldn't we be taking an overt action?

MR. PREMO: I can assure you as strongly as I possibly can we are not idly standing by or even idly sitting by. But there are legal ramifications to the different things we might do that are essentially founded in the Grumman Corporation viewing any cancellation by us of this contract as a death knell or potential death knell to them in the bus-building business. So it has all sorts of legal ramifications, some of which I can talk about and some of which ---

SENATOR GRAVES: What about the quarter of a million of our constituency that uses this type of travel? I am more concerned about them than the death knell of Grumman.

Could I suggest with the Chairman's permission that you be directed by this Senate Committee within 30 days from now to tell us exactly what the status is and what you are doing to make sure that by November 15th the State of New Jersey has 271 new buses.

MR. PREMO: I would be happy to.

SENATOR HERBERT: As I understood your testimony, Mr. Premo, if those buses are not delivered on November 15th, we may cancel the contract? Or do they just assume a payment of penalties; is that it?

MR. PREMO: Well, they have to deliver the buses by that date, yes.

SENATOR HERBERT: And, if they don't, we don't have to accept them?

MR. PREMO: Correct.

SENATOR GRAVES: But in the meantime, our constituency is travelling on something that is unacceptable.

SENATOR HERBERT: Senator Gagliano.

SENATOR GAGLIANO: Mr. Chairman, I say this respectfully, but I think we are far afield on why we are here today. I believe we are here because there is an \$80 million shortfall that we are trying to address.

Jerry, I know you can't speak for DOT, but these are letters - most of them are notices with respect to bidding - that were addressed to me but sent to Senator Herbert's office. There are 21 of them here. When you open up the mail every day, you don't realize just how much mail you receive from any one organization. These are from DOT. It seems to me that several of these could be sent out once a week. And I know I shouldn't address this to you because you are not technically part of DOT and many of these are notices of bidding and things like that. It is an awful waste of our taxpayers' money to have a 15-cent stamp on every one of these notices. Several of these are press releases. In addition to the fact that they were sent to Senator Herbert, it seems to me that that is extremely wasteful. He was kind enough to bring them here today. We have already told the Department that my office is in West Long Branch and told them very clearly. Yet I am addressed at Waldwick, New Jersey. But I think more importantly is the waste of all these stamps on all these envelopes, number one.

Number two, in listening to you go through the same slide presentation you went through before - and I am the one that asked about the resourcefulness and I am the one who feels we are supposed to be here addressing this so-called \$80 million shortfall - the first thing I think is happening, and I haven't heard a word on it --- but the first thing that is happening here is that you and your staff and Commissioner Gambaccini to a great extent are trying to turn around a situation which has brought about almost total decay of a transportation operating system. And, to a very great extent, you are using current operating money to

try to do it. That, at least, is the way I read it.

Now, why do I say that? If you were the president or, let's say the chief executive officer of a private corporation, and you walked into a series of buildings and saw the type of equipment that you have here with the N.J. Transit and the rest of it, it seems to me the first thing you would say is, "I have to put this thing back together and there is no way I can do it out of current operating money. I will never have the cash flow to do this." Last year or the year before, we passed the bond issue. I know that money has been spoken for to a very great extent. I am going to make this statement and then I want you to think about it because I am really concerned about the \$80 million shortfall. The buses and all the rest are very important. But this is important for now and is one of the reasons I asked the Chairman to have this meeting here today.

I don't know what your salary is, but I will bet you half of your salary or half of your time is devoted to the capital needs of putting a bus company or a series of bus companies together. Maybe half of your time then is used in the operating sense of worrying about schedules of the buses we already have - the day-to-day operations. If that affects your salary or your time that way, then that must affect practically everybody's time in your whole operation and, of course, DOT's also.

What we are doing here --- and I don't know whether all the bond issue money is spoken for or not. What we are doing here, as I said, is trying to remedy a problem that is 50 or 60 years old with current operating money. You couldn't do that in business and you generally don't do it in government. But yet we are doing it here and we are coming up with an \$81 million shortfall. We know fuel has gone up and we know labor costs have gone up. But a lot of what you are doing, for example, rehabilitating old buses, you are charging against the bond issue. But how much of your time and the time of so many other people is directly connected to that which we are charging to the every-day passenger? I think this is something that has to be looked at. I see Buzz Rukin over there. I would think that Buzz would agree that if he had to rebuild a company, there are certain things he would try to do out of the fare box; but there are other things that have to be done that involve a long, long term commitment.

So what I am saying is that there is another possible source of revenue. If it is allocated properly, maybe we could borrow against some of that bond issue to get us over the hump for the next year or two. I don't know whether you have done it. Just by listening to your presentation, it seems we are putting an awful lot into iron and steel and we are trying to get it out of today's revenue.

MR. PREMO: I would like to clarify that. If I gave that impression, I am sorry. We are putting three and a half million dollars of added operating costs into TNJ and Maplewood, which in combination have a \$175 million budget. That is about a 2 percent impact. The bus rehabilitation program, the electrification, the bus stop signs, the shelters, the purchase of new buses and the like are being charged against bond issue money and against federal grants, of which we get 80 percent reimbursement. In addition, our planning staff, which, for example is working on Route 9 corridor issues, is getting their salary 80 percent reimbursed by Uncle Sam.

SENATOR GAGLIANO: How about the bond issue money and borrowing against that, knowing in a sense that we are borrowing but knowing also we are in a heavy capital expenditure area?

MR. PREMO: I would like to share an analysis of this issue with you,

Senator, if it is all right, Mr. Chairman, on how we are relating our staff time against federal capital grants, federal planning grants and bond issue allocations. I believe that we are allocating sizable portions of our staff against areas where reimbursement is possible. But your point is well taken and we ought to be doing everything conceivable we can to secure such reimbursement.

SENATOR GAGLIANO: Do you know how much of the 1979 bond issue is actually committed?

MR. PREMO: We have had appropriated to us at this point of the \$150 million, \$90 million. We have reserves of \$77 million set aside at this point. So we have \$13 million available to us. Upon approval of a couple of more federal grants, the front-ended money that we have put up out of bond issue money will be freed up again. But we have committed and have under contract, but not expecting federal reimbursements, in excess of \$50 million at this point in time.

SENATOR GAGLIANO: I would ask that you go back and see if there is any way that you could find of doing more work of a capital nature that should be charged for over a period of time. I really believe that every penny we can save will keep riders on these buses and on these trains. And, if we can find some way of getting some money out of that bond issue into the transit system, we will be better off over the long run.

The second thing I wanted to go into is the proposed free fare program for senior citizens. How much will that cost us? How much have you put into the budget for that?

MR. PREMO: We put in an additional \$6 million request and it may cost somewhat more than that, up to potentially another \$6 million.

SENATOR GAGLIANO: At the risk of possibly losing the next election, could I ask this question: Does it make good sense that we are increasing 50 percent bus and rail and possibly the first of the year an additional 50 percent for rail passengers and we are instituting a free fare program for anybody?

MR. PREMO: The free fare program is off peak.

SENATOR GAGLIANO: Whenever. Does it make good sense to you as a transportation expert? As far as I am concerned, you and Buzz are my experts. Does it make good sense?

MR. PREMO: Well, in the broadest context of matters, I can understand its desirability.

SENATOR GAGLIANO: I have about 90 thousand senior citizens in Monmouth County. But, honestly, I have to look at this and I don't understand why we have to go whole hog into that right now. I think we should think about it. Has any thought been given to that?

MR. PREMO: The choices are pretty clear. If the Legislature chooses not to pursue that approach, there may be up to \$6 million that might be used for other purposes in the broad budget of this State.

SENATOR GAGLIANO: Next, I just want to refer to a letter that I received on March 18, 1981, from a Sea Girt resident who said: "If N.J. Transit increases the \$103 fare from Spring Lake to Matawan," - that is the monthly fare, I guess - "by 50 percent in 1981 and 40 percent in '82, the monthly cost would rise to \$216." This translates into an annual commuter budget for this person of \$2,600. This is in contrast to the current annual fare of \$1200. This particular person feels that what this is going to do is cause him to get together with three or four other people and get in a car. By taking one automobile at a time once a week - they switch off on whatever basis in a car pool - that will be less expensive. So, instead of just losing the one person on the train, you might lose four, four to mass transit

anyway. How can we handle that? If that happens, aren't we then going to be running fairly empty trains?

MR. PREMO: I am not sure exactly how to deal with this. It will take a moment to develop this, if it is all right with you, Mr. Chairman.

I recently read a Time magazine article, a thoughtful and lengthy one, on where we stand in public transportation in this country. One of the principal concerns that was identified was the past practice of keeping fares unrealistically low. People can argue what is realistic and what is low and what is high. But the fact is that right now at least we provide here in New Jersey a pretty good bargain in our public transportation system. We carry people enormous distances at what are per-mile costs that are very low. If, in fact, we are forced to raise fares because of the lack of other than fare-box money available to us, we may well cause lots of people to car-pool. I would rather have them car pool than all riding in a single automobile. The fact of the matter is though that our fares after these increases will be on a per passenger-mile basis still lower than driving an automobile. But they will probably not be lower than four people in a car.

SENATOR GAGLIANO: This person's estimate is that it is going to be \$1500 annually per person and they will be able to car-pool for \$6,000 for four people; whereas he says that if the rates go up as you have proposed, the train ride would be approximately \$10,400 for those four people.

MR. PREMO: What we are going to have happen is potentially lots of people doing car-pooling and then second and third cars being used for car-pooling; we will be adding to the amount of vehicles on our highways. We will probably have, once in awhile, those older cars breaking down in the tunnels going into New York at the same time that we have new passenger cars on line. So, I am hoping that the delivery of new equipment, both buses and rail cars, will deal directly with that attractiveness issue that the Chairman raised earlier when citing the survey in New York about fares for the subways. If we can deliver good quality, on-time service that is clean, that is about all we in this business conceivably, physically and humanly can do. We have to meet our payrolls. We have to run the best service we can with the money available to us. We need to get better equipment on the streets and on the tracks. Then, if, in fact, the marketplace is such that people want to car-pool instead of ride trains, we have done our best.

SENATOR GAGLIANO: Thank you. I have no further questions.

SENATOR HERBERT: Thank you for coming. We appreciate your presence.

MR. PREMO: Thank you, Mr. Chairman.

SENATOR HERBERT: We knew, of course, that Mr. Premo would be the major witness today. I would like to ask anyone else who is planning to testify before the committee that if you do have a prepared statement, we would appreciate a digest of that statement before we question you and your complete statement will be put in the record.

I might say in passing that I was called yesterday by the Mayor of Ridgewood, New Jersey; and, with the permission of the committee he would like to enter some testimony which will be delivered after the hearing. I told him it was perfectly okay. If there are any objections, I would like to hear them now.

Our second witness today is Frank Tilley from my county, Bergen County. Welcome, Frank.

F R A N K T I L L E Y: Thank you, Senator.

First, Senator and members of the committee, I want to not only thank you

but commend you on this further evidence of your interest and concern in the problems that face North Jersey commuters. I hope Senator Graves will be able to be back because some of the things I want to mention will be of interest to him. Has he gone?

SENATOR HERBERT: Senator Graves has very important business, sir.

MR. TILLEY: Okay. Some of the things I am going to say would be of interest to Passaic County.

As you know, Senator Herbert and Senator Gagliano, I am not only the Executive Director of the Board of Transportation of Bergen County, whom I am specifically representing here today, the Board having considered these proposals, but I am also the Chairman of the County Transportation Association of New Jersey. I am Chairman of the Transportation Advisory Group of the Tri-State Regional Planning Commission, and a member of the North Jersey Advisory Committee to New Jersey Transit.

I am philosophically ready to accept the concept of upward adjustments in our bus and rail fares. I can appreciate the frustration and the confusion that Mr. Premo and his staff are going through at a critical time like this. At one time, I was with the Department of Transportation when a similar traumatic experience occurred. I know what they are going through.

Unfortunately, I also know of the sophisticated method used at that time for determining how fare increases would be determined and how they would be applied. It is a matter of deep concern to me that no such sophisticated system is being used this time.

Yet, there is nothing in the material that Mr. Premo has presented here today nor in any of the literature that has been made available to date to let us know how or by what documentation NJ Transit has arrived at the conclusion that fares of the magnitude proposed are the fares that should be applied nor do we have any idea what service curtailments, if any, may be required as a result thereof.

I was glad to hear, Senator Herbert, that in your opening remarks you pointed to the need for eliminating certain redundant services in the State. The situation on Route 9 is probably the most glaring, but there are others. Despite what Mr. Premo has said, there still could be some real economies if only in the elimination of duplicative administrative overhead were you to have one carrier rather than two. But there are other situations in the State. The fact that NJ Transit now is the owner as well as the operator of both Transport of New Jersey and Maplewood Equipment Company points to the fact that within those two carriers alone there are opportunities for eliminating redundancies, restructuring routes and effecting economies thereby.

I am concerned when I hear that apparently many of the inequities that now exist in the fare structures in our bus and rail systems are either going to be aggravated or at least perpetuated. Mr. Premo mentioned, for example, the fact that the City of Newark has no express services such as may be found in some of the suburban areas. But he neglected to point out that in the City of Newark there is, first of all, a single fare zone, and the City of Newark is a big city. You can travel from one end of Newark to the other for a single fare. You can transfer from an intersecting bus route to the Newark City Subway, whereas in other parts of the State, you have to pay ten cents and, under the proposal, you will have to pay fifteen cents for a transfer. Of course, at many hours and for certain distances on the Newark City Subway, you can travel for ten cents. Contrast that, for example, with the City of Hackensack, which is one-tenth the size of Newark;

but on some of the bus routes in Hackensack, there are now three fare zones - in a city that size, three fare zones. If we are going to go to a restructuring of fares, Senators, it is the position of the Board I represent here today that there should at the same time be introduced rationality and equity in the fare structures rather than simply a broad brush application of a 50 percent increase, or whatever the percentage increase should be. We would still like to see the documentation that determines it should be a 50 percent increase, rather than a 49 or a 51 or some other percent increase.

SENATOR HERBERT: That is a nice easy number, isn't it, Frank?

MR. TILLEY: It is a nice round number, Senator, yes, almost too nice and round. We would like to know exactly what service reductions are proposed. Mr. Premo did mention that it is contemplated that there will be some minor service reductions in the bus system. Well, what is minor to one person may be major to somebody else.

The busiest intrastate bus route in the State of New Jersey is the 13 Broad Street Line in Newark. It is very heavily used. In one sense, however, it is much less essential a route than some of those that go out into relatively lightly populated areas where there is no other service available. I was thinking as I looked at Senator Graves before that one of the routes in his territory which may well be a target for elimination because it is relatively lightly used offers the only service from Paterson to North Haledon; whereas, on Broad Street, Newark, there is a multitude of bus services. So if the 13 Broad Line were discontinued, other service is available.

We still don't know exactly what is meant by the term that one peak hour train will be eliminated on all rail lines. I think we need to know a little more about that and to know whether or not, in fact, such a move would produce any economies. Example: the seashore lines presently have only three trains into Atlantic City. Eliminating one peak-hour train means the elimination of 33 percent of the service. Do they propose to eliminate one train on that line?

SENATOR GAGLIANO: Excuse me. Mr. Chairman, I thought they were talking about eliminating that line eventually.

MR. TILLEY: Eventually, they do. Yes, Senator Gagliano, there is some talk by the transit agency that they will eliminate it entirely. But, at this point, there is talk about eliminating one peak-hour train on each rail line. On the North Jersey Coast line, for example, if you were to eliminate one peak-hour train, you could save a crew and you would have effected a legitimate economy. But on the lines that serve Bergen and Passaic Counties, the train crews now operate as many as three peak-hour, round trips - round trips. And, if you eliminate one peak-hour movement, you will have saved nothing. You will simply pay the crew to sit around in the locker room and play cards.

My point is that this entire approach of flat fare increase and one train going off on all lines may or may not be meaningful. But we don't know because none of this documentation has been made available.

You, Senator Gagliano, were courageous enough to speak about the senior citizens' fares. In 1979, Governor Byrne appointed a task force to examine the problems of the transportation needs of the elderly and handicapped. I happen to have served on that task force. The task force made its report to the Governor in January 1980. The task force was able to identify statewide 432 programs being conducted for the elderly and handicapped, almost all of which were fare free. The only thing that has happened since the report was submitted in January 1980 until today is that

even more fare-free programs for the elderly and handicapped have been initiated.

I have here for you and I will give you in just a moment a copy of the list showing how many programs there are and in which counties they operate. This is in the Governor's Task Force Report. With 432 plus fare-free programs for the elderly and the handicapped, it is impossible for me to comprehend why we have to add another \$6 million plus to the transit budget to provide free fares on all of the bus services in the State of New Jersey. If it is a question of essential food shopping, getting to the doctor's office, whatever, those senior citizens who require that service presently have it available to them in almost every corner of our State.

SENATOR HERBERT: By the way, there is no means test. It is any senior citizen.

MR. TILLEY: Correct, Senator, no means test.

SENATOR HERBERT: If he retires on \$150 thousand a year, he gets free fares.

MR. TILLEY: I regret to have to tell you, Senator, that I suspect that some of the people we transport in Bergen County fit in that category, simply because there is no means test.

As far as the handicapped go, we all have compassion for the plight of the handicapped. But it would seem to me that those of the handicapped who are gainfully employed should be paying the regular fare. After all, to provide the wheel chair facilities that are required under existing federal law, we are going to have to go to considerable expense to accommodate those people. To give them a free ride is really adding insult to injury. For those who are not gainfully employed, I would not be so severe. But I think we have to look at this thing carefully.

Concerning the proposed rail fare increases, equities will result if we continue the system we have now of basing rail fares on rail trackage mileage.

In the Bergen-Passaic area, for instance, our rail lines do not operate in a straight line the way the Raritan Valley or the Northeast corridor lines operate. Our lines were built many years ago in circuitous patterns in order to contact and serve the major cities in Bergen and Passaic Counties. The fact that the track mileage is longer than it need be for the customer's sake - and I say "customer," not just "commuter" because he is a customer - simply means that our customers are paying more pro rata than the rail commuters in other parts of the State. Added to that is the fact that rail commuters in our area do not have direct access to Manhattan if that is their ultimate destination. Instead, they are carried only to Hoboken where they are put on PATH trains and I need hardly tell anybody that one of these days the PATH fare which is now I must concede ridiculously low is going to go up. The impact on rail commuters from certain North Jersey points is going to be inequitably placed on those who do not now have even the best service.

I think a final point which must be considered is the matter of NJ Transit's own administrative budget. Both of you gentlemen have alluded to this in your remarks this morning. I have the highest regard for Mr. Premo professionally and personally and I commend him for having assembled a staff of outstanding competence. Mr. Premo has pointed out from time to time that there still exists a number of vacancies in the structure of the transit agency. At the federal level, we know that the President has introduced a hiring freeze and many jobs are being left vacant, not even being filled in some cases by attrition. At the county and municipal level in New Jersey because of the 5 percent cap, many jobs are being eliminated - I have recently lost two people on my own staff - and wage freezes are in effect.

In addition to that, we are going to impose apparently significantly higher fares on the customers.

It would appear to our Board, as we discussed this at our meeting last week, that the only fair thing is that NJ Transit, itself, adopt a wage freeze and a job freeze until such time as we are over this hump and are in a better position to be able to fund some of the things that they and all of us would like to see undertaken.

Thank you, gentlemen.

SENATOR HERBERT: Frank, you sit on one of the Advisory Boards set up under the New Jersey Transit Corporation Bill. Could you give us your frank assessment as to how those boards are performing?

MR. TILLEY: Senator, I was appointed in January. I have attended only three meetings thus far. At the three meetings I have attended, there has been mostly an atmosphere of information going from Transit staff to the members of the committee. At the meetings that I have attended there has been little opportunity as yet for a reverse flow of advice from information.

SENATOR HERBERT: In other words, you are kind of getting information rather than giving advice.

MR. TILLEY: Well, that has been the case with me at least, yes, in the time I have been on the committee.

SENATOR HERBERT: Senator Gagliano.

SENATOR GAGLIANO: Just one thing - Frank, do you know what NJ Transit is proposing in terms of hiring more people for next year?

MR. TILLEY: Not specifically. I am told that they have vacancies they wish to fill.

SENATOR GAGLIANO: But your suggestion would be that we, as a committee, suggest to them that instead of hiring more employees that they strongly consider a hiring freeze, so they do not add to staff and, therefore, do not add to their expenses.

MR. TILLEY: My comments were meant to suggest that NJ Transit, itself, might take this action.

SENATOR GAGLIANO: That is what I mean.

MR. TILLEY: Sure.

SENATOR GAGLIANO: If there is a representative of NJ Transit here, I wonder if you could direct a question to Mr. Premo and maybe he could tell the committee how much might be saved by this.

That follows up on my comments too, Frank. Is there anything to the comment I made that maybe some of these are long-term expenditure things as opposed to something you have to take out of the fare box this year? It seems to me that they are doing a lot of things that should have been done from a capital standpoint for many years and maybe we could allocate some of that bond issue money, at least for a year or two, to try to get over this hump we have right now.

MR. TILLEY: Not being an attorney, I am not certain, Senator, if that would be legal, to use bond money for that purpose. Perhaps it would be.

SENATOR GAGLIANO: The reason I am saying this is because basically we are doing a lot of capital expenditure type work. It is not just buying a bus; it is having people there who put the specifications together, review the specs and do all the other things. That is really part of buying a bus. Do you follow what I am saying?

MR. TILLEY: Yes.

SENATOR GAGLIANO: The same way with rehabilitation, I think there are many

more charges that could go from the bond issue with respect to rehabilitation of an old bus because we are going to get five or six years wear out of it than would be the case if we took all of that expenditure out of one budget. I guess that is all I am saying. I don't know whether from an accounting standpoint it makes sense. But it would make sense in business. I don't think anybody builds a building, for example, or buys a large piece of equipment, unless they have a very successful business, and plans on paying that out of the fare box or out of every-day receipts.

MR. TILLEY: It is certainly an interesting idea. But, as I say, I don't feel competent to answer the question.

SENATOR HERBERT: Ladies and gentlemen, we are going to break now for lunch. We will reconvene at two o'clock.

(Recess for Lunch)

AFTERNOON SESSION:

SENATOR HERBERT: We will now continue the hearing. The senators who were here this morning are here again this afternoon. Our next witness will be Barnett Rukin of the Hudson Transit Company.

BARNETT RUKIN: Gentlemen, I do not have a prepared statement. A lot of the issues are things that we've been talking about for quite some time. I would just like to talk about some of the highlights of the thoughts that I have based on the purpose of the hearing.

The key to all this is, we all remember, I'm sure, what New Jersey Transit's goals were in 1979 and I think, perhaps, the question ought to be asked, what are their goals in 1981? The problem is certainly the same as ever. They don't go away and this should be of no surprise because, to the greatest extent, in the state's attempt to take over private operations, they used the same arguments they are using now in support of their position against the private operators.

The solutions today are probably the same as they were in the past and, in the opinion of the Motor Bus Association of New Jersey, that solution is not in the public sector. We still suffer from the problem of having no inventory of the services that we are providing or want to provide or an idea with any kind of rational system of the service that is necessary, nor of what the social goals are on the transportation system and what method we ought to use to meet those goals. So, the only thing that we're dealing with is no different than it was before and those are economic goals and the only change there is that the available money coming from governmental sources is significantly less in a prospective way than it was two years ago and, now, we're in a big pinch and back we come to the political side and say, "Why don't you people make more money available to us so that we can run the system."

The problem with the fare increases that we have now are very similar to the cry that was raised when this Committee and others asked why the subsidy program had increased from \$500,000 in 1969 to \$50 million in 1979. What happens is that as long as the state and/or the federal government has picked up an ever larger share of the operating costs of the system, once they no longer pick up that share, the increase in cost has to be borne by an ever decreasing portion of the budget and, therefore, the percentage increase on that portion is going to be enormous and that's what we're faced with now.

You've heard me tell so many times about the railroad situation in Bergen County. In the fiscal year we are currently in, ending on June 30 of this year, which is very closeby, the operating assistance per passenger on the Bergen County and the main line of the Erie-Lackawanna is \$2.44 per rider, per trip. That's higher than the average commuter fare on my busline, which competes with that railroad, foot for foot, from Suffern right through all the towns in Northwest Bergen as far as Ridgewood. The problem there is that there are certain limited numbers of people who are being assisted by the program and those are only those who happen to live on the lines that have done poorly that they have to be subsidized and if somebody is unfortunate enough to live on the route of a good busline, they pay at least 100% of the cost of their transportation while, on some of these other routes, they pay significantly less. That, I think in context, we have to keep in mind that there are about 37 million railroad riders per year. There are over 40 million riders on unsubsidized buslines in the State of New Jersey every year. The riders on unsubsidized buslines account for 26% of the total bus riders in the State and they get no assistance at all.

So, we really have to address this question as it is equitable for the people who are using the system and with an eye toward providing the best service that can be provided to attract people to the system. What we do now is negate either of those goals. We provide the most assistance to the services that have done the least to provide the revenues themselves from the fare box.

In the context of where we are now, it appears to be that the New Jersey Transit Corporation has only two choices. One is to raise the fares to whatever level is necessary to keep the budget in balance, or two, to cut services to the same degree and the only big question that I would raise in their present proposal is, what happens when there is a 20% reduction in ridership or whatever the projected ridership decline is, in terms of reducing costs even further. If this were a private company and we had to have a 50% fare increase to cover our costs and we were expecting a 20% decrease in ridership, the next step would be a significant decrease in the amount of service that we put on the street, which would reduce our costs somewhat further and, perhaps, mitigate the need for such a fare increase, but at least it would be on the burner. There's no way that we would have any interest or any ability to provide the same levels of service for 80% of the transportation of the passengers transported than we had in the past.

I don't think there are any other significant things except as to what could be done to revise the whole system. Of course, in our position, we think that New Jersey Transit ought to be out of the operation of the transportation system as much as possible. Whatever and wherever public transportation could be given back over to the private sector, we think that that ought to be done. There certainly ought to be criteria for the operation of any service in terms of minimum ridership or minimal fare box contributions or something of that sort and, of course, the concentration has to be on the basic transportation service on the street where the people need it and I think the goals for all of us are the same. Buses should be clean; the trains should be clean, on time, dependable; the employees should be courteous and so forth.

One other item that I want to talk about before I will answer any questions that you have would be a discussion of the senior citizen discount which, I know, didn't stem from the Legislature and certainly it doesn't appear to have stemmed from the corporation, but in an era of such fiscal restraint, it seems that \$6 million is an awful lot of money to spend to provide free service for people who have the ability to have free service in many cases anyway, adding services which are already being so heavily subsidized as to be providing a very significant benefit for all the citizens of the State in terms of the cost that you have to put into the farebox.

SENATOR HERBERT: I have no questions. Thank you for coming. You answered the prime question that I had. If you were managing TNJ right now, what would you do and you answered that you would cut service.

MR. RUKIN: I don't know that to be a fact, Senator. I would certainly take a look at what service is being run and from a very broad view that I have looking on the public sector as I do, it seems to me that there is a lot of service out there that could be revised.

SENATOR HERBERT: I've seen your buses lately and they're very clean. How are you getting your buses washed?

MR. RUKIN: We're not as clean as we would like to be. We have some garages outside of the State of New Jersey where we do wash on a regular basis.

SENATOR HERBERT: Do you have well water that you wash them with?

MR. RUKIN: No, they're not in the drought districts. In our major facility in New Jersey, we have a recycling plant for washing buses. However, the plant was in in 1980 and we would lose about ten gallons of water every time we would wash a bus just from what drips off it that can't be reclaimed and since we have to meet the 25% reduction in water use anyway, we are presently being penalized by having had our reclamation plant in a year earlier and the State will not give us the authority to wash our buses in our facility in Mahwah.

SENATOR HERBERT: You may not think that your buses are clean, but place them next to a TNJ bus and they look like a diamond. Our buses are dirty.

MR. RUKIN: I appreciate that.

SENATOR HERBERT: Senator Gagliano?

SENATOR GAGLIANO: I just have one, basically, one question. We talked about the possibility of cutting service and, of course, that would cut costs. Do you think that if NJ Transit prepared specifications and advertised to lease out their routes, that there would be any takers whatsoever from your association?

MR. RUKIN: That is a very broad question. In general, the answer is yes, there would be people who would be interested in the routes, but it would make the assumption that everybody involved in the process was making an attempt to make available a policy that would allow you to make money with the routes. There is nobody who would make an investment for the purpose of seeing that dissipated or contributed to the state coffers.

SENATOR GAGLIANO: I guess what I'm thinking about here is that, if NJ Transit, for example, has to cut service based upon the fact that they have an \$80 million shortfall, and if they determine, after looking at the situation, that, for instance, let's say they have a thousand bus routes, but let's say that they decided that 300 of those bus routes could be bid out on whatever basis. If they looked like they would tie into the system, say with yours or somebody else's, do you think that under those circumstances--and you had a free rein and no subsidy; it would be a situation where you had taken no subsidy--do you think there would be any sense to that for NJ Transit, to put them on the block and say, "We have a route that we're now running from here to here and it is not making money for us. We have to deadhead there to get it, with lots of other problems we have. We'll put it on the market."

MR. RUKIN: Yes. I think it could be done. I think there would be no very quick solutions to that because there is nobody sitting around with 200 or 400 or 80 buses that are doing nothing. The ability to buy buses is a very tough one. Obviously, the private sector would be much quicker about getting new buses than the public sector just because of the bidding process and the other difficulties that are involved when you are dealing with that in the public sector. But, under the best of circumstances, I don't think there is anybody who could get delivery of a large number of new coaches in less than 40 weeks. So, you're talking about a pretty long time.

SENATOR GAGLIANO: You have to start someplace. Supposing that NJ Transit determined at their next meeting, "We're going to start phasing out some of our bus routes, put them up for bid," and maybe the pre-qualifier, who has to have a certain balance sheet, a certain profit and loss statement showing that you could make a profit in the work you are doing now with a certain amount of experience. So, they determined, "Well, under those circumstances, certain people can bid." Would you qualify the bid?

MR. RUKIN: No question about it. In fact, not only for what are historically thought of as the more profitable, longer haul kind of operations. We know that there are a number of private operators who provide in-city transit services in the City of Newark, in the City of Jersey City, who have competitive situations now and would look very favorably upon being able to operate expanded services in those same markets or, at least, getting rid of the competitive factor in those markets.

SENATOR GAGLIANO: I don't know if this puts you on the spot or not. If you were sitting where we are, would you recommend anything like that for NJ Transit and DOT and the administration generally, that they consider even 10% of the time to put up routes for some kind of competitive bidding to be operated by others and and themselves?

MR. RUKIN: It was the thrust of the bill that we looked or that we had tried to put in, I guess, four years ago and then continuing up until two years ago when this legislation ultimately passed. It wouldn't put me on the spot. I don't know whether our company would be involved, but I think there would be many bus operators in this region who would be interested in such a situation. You're talking about enormous capital requirements now and you're talking about extremely high interest rates now and it depends on how realistic everybody in this transaction would be as to what the results would be. You see, this hearing was called to discuss fares and fares are a component of a lot of things. To me, the service that is being provided now that everybody is complaining about costs an awful lot of money, more than anybody considers when they look at the fares. It's just that only a portion of it comes from the fare box. So, now, we're increasing that small portion of it, but if you take into account, again going back to the railroad, if people are paying an average of \$2.00 to ride the train, \$2.44 in operating assistance, probably another \$3.00 in capital assistance that nobody in the State would even begin to look at because it would just boggle your mind if you ever took in all of these electrification and recoaching and relocomotive projects that are coming out of somebody's budget. Then, take these people to Hoboken, which Mr. Tilley complains about, and provide them with a ride for 30¢ to New York that costs the Port Authority \$1.04, which is coming out of us some way, whether it be in the tunnel tolls or in the charges that all of the bus companies pay the Port Authority to use their bus terminal, including TNJ and Maplewood Equipment and everybody else, who the State is providing the money for on a pass through basis. You probably talk about a trip on the railroad from Waldwick to New York City that costs \$9.00 for a passenger and you are telling the passenger he has to pay \$2.00 and now you're saying a 50% is enormous and it is unconsciounable and all. Well, it is only a dollar on a nine dollar cost. It's 11%, not 50%. The answer, from our point of fiew, is to provide the service in the most efficient, economical way and if we're providing bus service there for \$2.15 per ride and, in theory, we're making a profit doing this. The State of New Jersey has provided three to us out of our fleet of 140, which we lease for a dollar a year. I don't think it makes much of a difference in the cost of the overall operation. We pay the Port Authority fees. We pay sales tax on the things that we buy in the State of New Jersey. We have a semantic problem with a bill that passed ten years ago giving the bus industry some relief on sales taxes, but the way the bill was worded, the sales tax still applies to the labor component of any repairs that are done, body work or engine repairs or anything of that sort by outside sources. We've had a bill; we've talked about it for, I guess, three years. We finally have a bill that was introduced seven or eight months ago that has gone nowhere to give us some relief on that score so that the

fares don't have to go up. In the case of the corporation or the rail or any of the subsidized operations, it is a pass through again. But, now that there is an \$80 million shortfall, it is no longer a pass through. If that bill were passed, the cost to the corporation, as well as to the rest of us unsubsidized operations, would be reduced.

SENATOR GAGLIANO: I have one last question, Mr. Chairman. Would you tell us and the public if you have a place, a town, with a ride, you have a ride into New York and let's say NJ Transit, one of its buses, rides from the same town into New York. What is your charge and what is their charge?

MR. RUKIN: I thought I had brought that with me, but I didn't. In most cases on commuting fares, the railroad has an unlimited monthly ticket.

SENATOR GAGLIANO: I'm not talking about railroads. I'm talking about buses.

MR. RUKIN: On one way fares, we compete in two towns with Maplewood Equipment Company in Paramus and in Ridgewood. I believe our one way fares are probably 60% higher than the New Jersey Transit buses and on commuters, we're probably 30% higher in fare than they are.

SENATOR GAGLIANO: And out of that you are able to capitalize by your own buses and man the fleet?

MR. RUKIN: Correct. Of course, when the State came up with their plan to replace buses, and it was supposed to be for all the carriers in the State, our company and many others are on the list for 0 on the replacement program, and the reason for that is that they say our fleets are so modern and we shouldn't get any of the buses that the tax money is paying for. When we talk about the competitive imbalance that that might cause with the Maplewood Equipment Company, the response there is that our service is so much better and our equipment is so much better that it doesn't really make any difference and they have to be upgraded and we don't. The policy goals are vastly different than what is reflected in the marketplace. This is the problem that has been ongoing since 1969 with the subsidy program, which the advent of New Jersey Transit has not alleviated at all. In fact, the only change that can really be seen structurally is the development of the New Jersey Transit management team and the replacement, perhaps, of the four top people at TNJ. But, the company is operating as it did two years ago. It was Transport of New Jersey. Now it is a wholly owned subsidiary of NJT instead of PSE&C and the top four people left and the other 4,000 employees are still there.

SENATOR HERBERT: Senator Graves?

SENATOR GRAVES: I have no questions.

MR. PREMO: I would suggest that you check to see if there is any chance of casino money that is dedicated for senior citizens being used. If that \$6 million that is used exclusively for their transportation could be brought out of the banks and redistributed for the buses.

SENATOR HERBERT: That's a good idea.

MR. RUKIN: Before I leave, may I make one other point? Transpact, which was the program funded by the increase in the Port Authority tolls--I believe New Jersey's share of the Port Authority money was \$120 million, which generated another \$480 million in federal funds--and the mandate to protect the bondholders of the Port Authority was that the Port Authority's share could not be used for rail. So, there was a mandated \$120 million segment of that \$600 million in assistance that had to go to buses. We were asked, as an industry, to comment on that and come up with proposals

as to what could be done, what capital needs the bus industry would need, which is in line with some of the questions that were raised here earlier on getting some of those costs out of the operating budget. We came down to those meetings with the preconception that the \$120 million mandate was all that the bus industry would see and that the \$480 million would all go to rail. I think the way it turned out, the buses got about \$121.6 million or something, of which the primary money came to the purchase of buses, 271 transit buses and 700 commuter buses, none of which have been purchased yet. I don't know what is happening to the interest on the money that the Port Authority has for that, while the cost of providing this equipment is escalating. In the meantime and prior to this, the State has purchased an enormous amount of rail equipment, some of the cars of which, I assume, are still in Maryland and still haven't seen rails in New Jersey. But, there are an enormous amount of things that can be done on the capital side to reduce the operating costs of the private carriers in New Jersey, as well as New Jersey Transit. Some of them seem outlandish, like using that money to buy the Port Authority Bus Terminal and get out from the Port Authority the necessity to get a return on their capital investment from this sector. But, somehow or other, there is no pizzazz in doing things for buslines. It is nice to have a memorial roundhouse or a nice new rail station or some big locomotive and that's where all the dollars have always gone and the rail riders pay 39% of the operating costs of the trains and nothing of the capital costs to the train, and the capital costs are enormous. If you take that into consideration, my guess is that a rail passenger in this state pays less than 20% of the cost of the ride and if you want to talk about where the need is in terms of social goals and so forth, certainly, based on the affluence of the area that we're from, Mr. Chairman, the place where it can be afforded the most, it is in getting the fares to the levels where they, at least, make some reasonable contribution to the cost of providing the service on an equitable basis.

SENATOR HERBERT: It is a matter of philosophy, as well as finances.

MR. RUKIN: I agree.

SENATOR HERBERT: Whether or not the rider should pay the major cost.

Thank you very much for coming. John D'Amico of the Irate Shore Commuters. Maybe you could respond to that last idea.

J O H N D ' A M I C O: Thank you, Mr. Chairman. I thought the scope of this hearing was to talk about the New Jersey Transit budget and the immediate impact of the fares, but Mr. Rukin always elevates the level of the dialogue to basic, philosophical concepts.

SENATOR HERBERT: That's why we call on him to come.

MR. D'AMICO: And, of course, what is left out frequently in his presentation are two major points. Number one, up until recent years and, in fact, the decade of the '70's, before they went bankrupt, the railroads built their own facilities, paid for their own operation and paid taxes to the State of New Jersey, while all during that time--and I don't know whether Mr. Rukin had buses on the road--but other bus carriers were enjoying the benefit of massive capital investments in roads, highways and bridges and the expenditure of additional millions to maintain those facilities, which, in effect, competed with the railroads on an unfavorable basis and drove the railroads into bankruptcy.

Number two, of course, this Legislature has stated in its preamble to the Public Transportation Act of 1979 that rail and bus transportation is an essential public purpose which promotes mobility, serves the need of the transit dependant, fosters commerce, conserves limited energy resources, protects the environment, and

promotes sound land use and the revitalization of our urban centers. I'm sure, when you wrote those words, you had the same idea that we do and that is that you have to have a balanced transportation network, which takes advantage of everything you've got going for you in the way of existing facilities and certainly the rail network in this state has been an integral part of our transportation infra-structure. That point was very nicely underlined in an article yesterday in the New York Times, which is entitled, "Transit Decline Poses a Threat to Jobs in the City", and it made observations such as this. The Standards and Poors Corporation and Moody's Investors Service both cited deteriorated mass transit as a cause of grave concern in their ratings of the cities' fiscal health and the regional office of the federal Bureau of Labor Statistics singled out the importance of a well functioning transportation, that's rail and bus, in maintaining private sector employment and, of course, the article goes on to say how important it is, not only to the decisions that employers make as to whether or not to stay in the city, but also the decision that employees make as to whether or not to move to this region and become part of this economy, how important it is to maintain effective rail and bus transportation. If New York is in that kind of fix, imagine the impact on Newark, where we're trying valiantly with efforts such as Renaissance-Newark to revitalize the city based on the premise that you start with your infra-structure, your rail stations and try to develop the rail station areas and then branch out and gradually breathe life back into the city. So, I think that we have to understand that a lot of these social policies are important and that rail has an important place in the whole picture.

Now, what will the impact of these fares be in this context? To raise the fares by 50% in July and then possibly another 40% in January and cut back on the frequency and convenience of service is, I think, a death blow just at the wrong time, just before these rail systems, as Mr. Premo indicated, and the bus systems as well, are about to be reborn with an infusion of new equipment. Now, we are faced with this horrendous shortfall and with actions which, in my opinion, and based on polls of our membership and discussions with fellow employees, will have the immediate effect of driving people back to their automobile and Senator Gagliano had that very interesting letter from our area, from someone who lives in an area served by the North Jersey Coast Line and I would only correct the observations made in that letter to say that it probably would only take about three passengers in that car to compete with the rail fares rather than four. Now, van pooling is nice if it takes motorists off the road and if it arises in areas that are not served by rail or bus. But, it is bad when it takes people off the trains and puts more cars on the road when our highways are already congested and our bridges and tunnels are deteriorating. This is what we're talking. We're talking about preserving one of the key advantages that this region has and one of the few advantages it has over any other region in the country. There is a very good reason why people in New Jersey and New York spend half as much per capita for energy, in terms of energy consumption, than the people in Texas. That is because we have a very, very large, massive network of public rail and bus transportation.

Now, the question can legitimately be asked, is New Jersey Transit, the new agency, doing all that it should do or can do to get the best bang for the buck. Now, we at the Irate Shore Commuters have had an ongoing interest in whether or not, over the years, too much money was being paid to Conrail for the rail services rendered. We asked, last year, the Public Advocate's office to get involved in that issue and the audits that were recently released of Conrail's records for the period

1976 to 1978 have been reviewed at our request by the Division of Rate Counsel of the Public Advocate and they have indicated to me that, based on the review of the audits to date, it appears that New Jersey--now of course these periods involve the predecessor agency of New Jersey Transit, the COA--but, the Division of Rate Counsel has come to the conclusion that New Jersey seems to be staying within reasonable bounds considering the limitations of existing laws pertaining to the reimbursement to Conrail of the cost of providing rail service. In other words, if you look at the methodology that has to be followed, the Respo standards of the Interstate Commerce Commission, the requirement that Conrail will only continuing operating service if the avoidable cost of that service is reimbursed by New Jersey Transit, that the methodology that has been used by New Jersey in the COA and presumably has continued to be used by New Jersey Transit does appear to be pretty much on target in terms of those standards. There was a slight overpayment to Conrail, but as a percentage of the total budget, it is a negligible number and there may, in fact, be an underpayment when the more recent audits are released.

That's not to say that labor is too expensive. That's not to say that fuel oil is out of sight. We've got these problems at the local level. I'm a councilman in the Borough of Oceanport and we have horrendous energy costs and problems holding on to Borough employees. The workers have to pay for fuel too, but it seems to me that New Jersey Transit has acted responsibly in advancing the very far reaching and well thought out proposal at the federal level for a northeast corridor corporation designed to give the Agency better control over operations and they have advanced in their views as to work rule changes, changes in the basis of pay, as I understand it, to Conrail and Conrail has agreed to let New Jersey Transit participate in these negotiations in an effort to reduce these horrendous labor costs which are inherited, again, from an era when the private railroads were, in effect, raped, in my opinion, by organized labor under the guise of the Railway Labor Act, which provides no protections for publicly supported transportation.

Now, these developments are all important. The problem is that the fruits of this move toward a northeast corridor corporation, the restructuring of the institutions governing commuter rail service, the result of any labor productivity that might be negotiated during the course of the next few months, will not be felt soon enough to forestall these immediate fare increases and service cutbacks. So, what are we going to do? It seems to me that there has to be cooperation on the part of all parties. Everybody has to pitch in. That means that the commuters are going to have to pay higher fares. We don't question that. But, the question is, what is a reasonable fare increase? It seems to me that for the entire budget shortfall to be passed onto the commuters in view of the social, economic and environmental policies that we're trying to advance is not only unfair for the commuters, but inappropriate for the entire State and the entire region.

So, what are we saying? Commuters have to pay more; labor has to take less and sit down and try to help us help them save their jobs. The federal government has to do its part by revising these institutional arrangements and, if possible, continuing to come up with federal dollars and, finally, the State Legislature must provide its fair share. Now, has it been doing so over the years? New Jersey is the only state that returns less than 70% of its transportation related tax revenues to transportation. The 8¢ per gallon gas tax is lower than that of 33 other states and lowest among the 8 comparable densely populated urban states, including New York, New Jersey, Connecticut and Pennsylvania, and 43 states have some sort of dedication

to transportation, most of them using 100% of vehicle and gas taxes for transportation. New Jersey is spending less from those sources, proportionately, than any other state. Now, it seems to me that the New Jersey Legislature has to put its money where its mouth is and if we are serious about reversing the economic decline of this region, if we're serious about accomplishing all of these other social and economic and environmental objectives about which we have spoken so piously over the years, some permanent and adequate source of funding has to be provided so that this young agency in which we have a great deal of confidence, on balance, can be given a reasonable opportunity to serve the people of this state.

Now, lest it be thought that I am being unduly soft on New Jersey Transit, I do want to support our brethren bus commuters on one item, which I think has some parallels in it for the rail riders as well and that is this proceeding in the Interstate Commerce Commission relating to the requirement that commuter buses provide heat in the winter and air conditioning in the summer. We see no reason why the New Jersey Transit cannot be courageous enough to withdraw its support for the legal challenge to the earlier ICC ruling that required that these basic amenities be provided and we wish too that we could have the same basic protections on the rail side. We realize that the laws don't now provide for it, but if we are spending all of this money to buy new buses and to put on the tracks, new locomotives and electrification and so on, it seems to me that we should be able to deliver heat in the winter, air conditioning in the summer and, beyond that, the speed, comfort and convenience which attract people out of their automobiles and back on mass transit, which will give this region new strength by reinforcing this basic transportation infrastructure which is its major strength in competition with other regions and I think we can accomplish this if we don't kill the goose by failing to realize that we have to come up with additional money at this time to keep the system going until these improvements come on line. That's my piece. Thank you.

SENATOR HERBERT: Thank you, John. When we wrote that preamble to the bill, I think in my testimony before the committee on the bill, I said that I thought transportation was as important to the common weal as schools, fire protection, sewer services, all the other services that the public provides as a public improvement. So, I believe that's the way to go. I think, realistically, what we have to look at is, this year, as in any election year, when you speak tax, legislators just turn pale and run. That's a basic fact of life. Let me ask you this. Would you support a proposal from this Committee that the share of the State budget be raised in Transportation from 5 to 6% and that there be a yearly increase of at least 1% until we reach a level of 10%?

MR. D'AMICO: I have no problem with that. What I'm concerned about is the results and the objective. If that level of increase will be sufficient to keep these fare increases within reasonable limits and to avoid these service cutbacks, fine. I do agree with you, Senator, and I'm happy to hear you advance such a proposal, that is if it is not just this year, but it is going to be the year after that and the year after that, and we do have to, after all, face up to the importance of mass transportation and give it its proper share of funding.

SENATOR HERBERT: Just on a rough estimate, that would be \$55 million in this budget. I don't know where they would find it, but I'm just saying that I think if we advance the proposal and with proper pressure from the commuters' groups, from those of us interested in public transportation, that the Joint Appropriations Committee would, at least, know where we stand on this issue.

MR. D'AMICO: We intend, certainly, to keep the pressure up.

SENATOR GAGLIANO: You mean, added to the subsidies right now.

SENATOR HERBERT: No, total transportation budget, not just subsidies.

It's \$271 million now. So, it would be another \$55 million to use as they saw fit. I like your support of the proposal that there be a dedication of the funds already collected at the pump and motor vehicle fees. We don't do that in New Jersey and I think the people out there don't know that. In other words, our roads are going to hell; the Commissioner is complaining that he doesn't get enough money. Where does my tax money go? Well, of course, we know the answer. It goes to general funds. I think the budget--Jerry, correct me if I'm wrong--would be about double if we had all motor vehicle fees, plus the 8¢ tax dedicated to transportation services. It would be about \$500 million.

MR. PREMO: If I may, Mr. Chairman, I think John's first comments and his statistics about taxes committed to transportation here in this state versus others was really dramatic. I've never heard it before. We're the only one in the country below 70% is that what you said?

MR. D'AMICO: Yes.

MR. PREMO: That, really, has a ring to it that makes the smoke and mirrors approach not work.

SENATOR HERBERT: Yes. Well, we're beginning to see the commuters organize, your organization and we'll hear from others, and I think it is a good thing, because politicians respond to pressure and the Joint Appropriations Committee is made up of politicians who respond to the needs of the constituents who are heard, and quite often, you can't just count on the justice of your cause. You've got to apply the proper amount of pressure. I appreciate your support of those proposals. Senator Gagliano?

SENATOR GAGLIANO: I have just one area, John. We're talking about a 50% increase on rails on July 1 and a loss in ridership of a substantial percentage. At what point do you think, taking everything into consideration, the cost of energy if you drove your car, tolls, parking and everything else, at what point, in terms of percentage of increase, do you think we could go to before we would have more than a 1 or 2% dropoff in ridership?

MR. D'AMICO: It is very difficult to say because you have to remember that the only thing, as I said before, that the trains have going for them right now is price. We don't, in other words, compete on an even basis with the automobile in terms comfort, convenience, speed or any other reason why someone would use a car as opposed to a train. So, I would venture to say that there is a great deal less elasticity between fare increases and lost ridership than New Jersey Transit is even assuming. I frankly don't think that if the fares go up 50% or even, perhaps, 40% or 35%, that New Jersey Transit is going to get nearly as much additional revenue as they anticipate because, at least in terms of commutation from South Jersey to North Jersey. It is very, very easy to put together a car pool of two or three people and drive from Red Bank to Newark, especially with the completion of that new Route 280 link between the Turnpike and the northern part of the City. So, I think that there is a great deal elasticity and, in all likelihood, if you're talking about a fare increase that exceeds, substantially, the rate of inflation, especially in view of the last increase, you're going to have serious adverse consequences.

SENATOR GAGLIANO: No other questions.

SENATOR HERBERT: Thank you, John, for coming.

MR. D'AMICO: Thank you for letting me participate.

SENATOR HERBERT: Jack Sadow, Central New Jersey Transportation Board?

J A C K S A D O W: Mr. Chairman, thank you very much for the opportunity to testify before the Committee. First, I live in Freehold Township in Monmouth County. I have been a bus commuter for 22 years. Seven of those years were from Bergen County to New York City and 15 years from Freehold into New York City. Our organization is the result of volunteer commuters who were organized back in 1976 with the help of the late Assemblyman Walter Kozlowski. We organized as the result of the indifference, insensitivity and the lack of responsiveness on the part of not only our county organizations, but our elected officials and the agencies which were supposed to provide service to commuters.

When we organized, we requested that our municipalities establish by resolution local transportation boards and then officially appoint representatives to our board. Our membership comprises now of municipalities from both Ocean County and Monmouth County. These municipalities include Lakewood, Howell, Jackson, Freehold, Manalapan, and Marlboro Townships, plus the Borough of Freehold. We are the spokesmen for over 8,000 bus commuters from Toms River to Sayreville, mostly those travelling into the New York City area.

We were the first commuter group in the nation to petition the ICC for an improvement in commuter service. The hearings were held in Marlboro, New Jersey back in 1978 and it resulted in a victory, not only for the commuters in Monmouth County and New Jersey, but for commuters across the entire nation. Back in 1978, our board provided the plan to the Department of Transportation to utilize the highway shoulder by buses during the morning rush hour, along one of the most highway bottlenecks in the State of New Jersey. That is Route 9 at Aaronston Road. Our board designed and printed the commuter complaint card to substantiate our complaints which were being ignored. Those cards are used to factually provide proof of poor maintenance, erratic service and ineffective climatic controls necessary for the health and safety of the commuter.

We were the first commuter group to have a joint meeting with the Chairman of the New York-New Jersey Port Authority and Commissioner Gambuccini. This meeting resulted in an improvement in the moving of commuters out of the Port Authority Bus Terminal during the evening rush hour.

We established the Walter Kozlowski Award in memory of the late assemblyman. Our first recipients were attorney, Arthur Goldstein and Commissioner Gambuccini. We endorsed and supported the creation of the New Jersey Transit Corporation. As a matter of fact, our organization was instrumental in the pivotal vote being cast in favor of that corporation. We have endorsed and supported the New Jersey Transportation bond issue. I mention these points to indicate the participation and the efforts of the commuters in Monmouth County to do something for themselves.

Regarding the proposed fare increase, if the State of New Jersey is going to have an effective mass transportation system, we feel the goal cannot be accomplished by systematically reducing ridership with increased fares. We well remember that it was only last year that we had a 20% increase in fares. It is for this reason that the Central New Jersey Transportation Board is opposed to any fare increase at this time. We would like to see some performance first before we have to pay. We've been paying logn enough without any improvements.

I would like to indicate that we are in favor of the state funded mass transportation system. We are aware of the fact that there is currently an

emergency transportation tax, which is a dedicated tax on New York residents who work in the State of New Jersey. We believe that there is something like \$30 million. That money, for some reason, has been misdirected to the general fund, rather than be used for the purpose for which it was collected.

I would like to make some comments that we feel have a bearing on the operation and the decline in the ridership in our area. Our board is extremely concerned by what we feel is a lack of response and poor understanding of commuter feelings by New Jersey Transit Corporation, a state corporation which was created to serve the very same people. Unfortunately, it would appear that all that we have accomplished with our past endorsements and support has changed the name of the organization DOT and COA to the New Jersey Transit Corporation. Many of the same people are still there and, again, unfortunately, it would appear that many of the same policies are continuing.

Mr. Chairman, in a year and a half since the creation of this agency, we have not seen any demonstrated improvement in services. Just like previous organizations, the DOT, COA, we are expected to survive on promises, and we have plenty of those. The New Jersey Transit Corporation has aroused our sensitivity and frustration in its pursuit of a policy that heat and air conditioning are not required for the comfort and health of commuters. The Deputy Attorney General of the State of New Jersey is the legal counsel for New Jersey Transit Corporation before the ICC and against our commuter organization. It's unbelievable. The organization created to improve commuter service refuses to accept heat and air conditioning as being required for the comfort and health of the commuters.

Last month, Mr. Premo requested that our board provide three members to serve on an advisory group. We have difficulty in responding to this request. We cannot understand, if no one is listening to the will and the desires of the commuters to date, how we can expect the corporation management to listen when we're on an advisory council. It is the same unresponsiveness that we had under the COA.

Last August, our board made recommendations for improvements in bus schedules along the Route 9 corridor. We feel that it would have contributed to a reduction of cost. We have spoken to many members of the corporation, including Mr. Feigenbaum, Mr. Verhorn and Mr. Robbins. To the best of our knowledge, the Director of the Route 9 Task Force is not even aware of our proposals. We have made suggestions for improvements in service to Mr. Robbins last June, when he was the Acting Director. We made the same suggestions to Mr. Premo last month.

For these reasons, the lack of performance, we are opposed to the New Jersey Transit Corporation being exempt from ICC regulations. Without a demonstration of performance and with continued antiquated policies, how can we be expected to give up our right of final appeal to the ICC and leave it in the hands of the New Jersey Transit Corporation. What we have asked is that all elected officials throughout the state write to the Governor and Commissioner Gambuccini and urge that the New Jersey Transit Corporation respond to the wishes of the commuters and issue a consent order with compliance with the initial ICC decision; that the New Jersey Transit Corporation withdraw their reply to our appeal and also that the New Jersey Transit Corporation withdraw their request for exemption from the ICC. Show us responsiveness, demonstrate support and we will be happy to sit down and endorse and support a fare increase. We urge this Committee to have the New Jersey Transit Corporation demonstrate performance, rather than issue promises; to be responsive to the wishes of the commuters, rather than to fight us. This Committee should carefully scrutinize the progress of the New Jersey Transit Corporation in servicing the citizens of New Jersey and building,

we hope, the best mass transportation system in the country. Thank you, Mr. Chairman.

SENATOR HERBERT: Thank you, Jack. Would you support a dedicated tax of dedication of present tax revenues into the transportation budget?

MR. SADOW: Yes, we would.

SENATOR HERBERT: Would you support a 5% or 4% or 3% sales tax on gasoline at the pump, to be dedicated to transportation?

MR. SADOW: We are in favor of a dedicated tax solely for transportation purposes.

SENATOR HERBERT: Well, the Commissioner has pushed for a bill of a 5% tax on gasoline at the pump and there was a bill introduced in the Assembly to this effect. Frankly, this bill is going nowhere this year, as any taxing bill might. But, would your group support that?

MR. SADOW: Yes, Mr. Chairman, we would.

SENATOR HERBERT: Okay, thank you very much. Senator Gagliano?

SENATOR GAGLIANO: I speak with Jack all the time. I think we know each other philosophically. I do think, though, that you all don't know the background of the situation, but the Central New Jersey Transportation Board brought an action against NJ Transit and the others before the ICC in order to compel heat and air conditioning and the bus companies were so ordered to provide this by the ICC hearing examiner and, I guess, the ICC itself. Then, of course, Transport of New Jersey was taken over and I think what really has Jack's organization very upset is that now it appears that the NJ Transit Board and the NJ Transit administration is taking the same tack that Transport of New Jersey did, almost as though it were an independent company and not a representative of the people, being a publicly sponsored organization which we all voted for and you sponsored.

MR. SADOW: We just can't understand how the Attorney General's office of the State of New Jersey is the counsel against the very commuters that we would expect that they would serve.

SENATOR GAGLIANO: That's interesting too because, wasn't the Attorney General involved before?

MR. SADOW: Yes, as an observer. It happens that the Deputy Attorney General is the same counsel that Transport of New Jersey had during the hearings. He is now representing New Jersey Transit Corporation against our commuter group.

SENATOR GAGLIANO: I'm afraid if I did that as a private counsel, I would be up before some board or something.

MR. SADOW: We're very disturbed and we feel that this has a direct bearing on the number of commuters on the Route 9 corridor. The attitude, we don't feel, is one of understanding the problems of commuters and we're concerned. Show us the proper attitude, show us a responsiveness and then we can hold hands and go forward. But, right now, we're distressed. Thank you, sir.

SENATOR HERBERT: Thank you very much for coming, Jack. Elaine Marcus from the League of Women Voters?

E L A I N E M A R C U S: On behalf of the League of Women Voters of New Jersey, I want to thank the Committee for the opportunity to testify on the proposed 50% increase in fares.

We appear before you this afternoon as an organization committed to the development and improvement of mass transportation in New Jersey. Our position is derived from a 1979 League study on transportation and its relationship to sound

land use, energy conservation, air quality, and urban revitalization. Our members feel that for New Jersey, a small, densely populated, corridor state, it is imperative that we establish a viable system to move people and goods.

With the establishment of NJ Transit in 1979, it seemed that the Legislature and the administration recognized the importance of mass transportation and were committed to improving our deteriorating system. Indeed, since 1979, improvements have been made. Major capital investment has been forthcoming. New buses, new rail cars, electrification of rail lines, renovation of Penn Station, and the purchase of the largest bus company in New Jersey. We have just embarked on a very long road towards revitalizing a system that was neglected and ignored for decades. It is ironic that this economic crisis should occur just when major improvements are being made and when delivery of service promises to become more efficient and better managed.

We are all familiar with the causes: an increase in fuel prices, a decrease in federal funding, a leveling off of ridership and static state funding. We cannot offer you any simple solutions. However, we feel very strongly that the magnitude of this fare increase would be most detrimental. Each increase in fares brings about a corresponding decrease in ridership. According to New Jersey Transit, the effects of this fare hike would result in a loss of approximately 45,000 riders just when we wish to increase ridership and increase revenues. We fear that the loss in ridership may even be greater than predicted because the increase will be imposed before service improvements have been completed. We must recognize that these riders will return to their cars causing an additional burden on our overcrowded highways and contributing significantly to increased air pollution. In view of these facts, it would seem beneficial to meet the shortfall with funding from a variety of sources, rather than solely from the fare box.

Therefore, in addition to some increase in fares and selected service cuts, the League strongly supports an increase in state subsidy, at least at a level equal to the inflation rate. The present budget represents a decrease in actual dollars allocated to mass transit. We hope that the Joint Appropriations Committee will restore funding to this crucial area of the state budget. We suggest that the free fare program proposed by Governor Byrne be postponed for the present. We urge our state legislators and their counterparts in Washington to press for continued federal participation in providing operating funds, particularly important to older, heavily used urban transit systems such as exist in New Jersey.

In the long term, we must begin to determine what level of service we are willing to support. We should establish a fare box subsidy ratio that is equitable to both bus and rail riders and that encourages maximum ridership. The League believes the goal of establishing an efficient, well-run mass transit system will contribute much to the future of this state. We feel that mass transit benefits all residents of New Jersey and represents an investment that will attract economic development, provide additional job opportunities and improve the quality of life for all our residents. Thank you.

SENATOR HERBERT: Do you support a 5% tax on gasoline at the pump to be dedicated to transportation?

MS. MARCUS: The League is on record of not supporting the dedication of any taxes. We feel that it is not fiscally responsible.

SENATOR HERBERT: Do you support the tax without the dedication?

MS. MARCUS: We feel that the State of New Jersey has to find some new sources of revenue in order to supply a level of service that the residents of this state, in a sense, deserve and that may be one of the options that the Legislature can look at.

SENATOR HERBERT: Okay, thank you very much.

SENATOR GAGLIANO: Would the League support cutting government costs such as they are trying to do in Washington D.C. right now?

MS. MARCUS: The League is on record as asking these costs and budget cutting to be thoroughly studied and to evaluate what kind of repercussions they will have as far as the lives that will be affected by these costs, as well as the long term effects of these costs, instead of looking at just the short term benefits.

SENATOR GAGLIANO: If we had the 5% tax on gasoline and diesel fuel for automobiles, right now, I guess it would be 7¢ tax on every gallon of gas. Wouldn't that be pretty heavy, though, considering a person who has to use the car?

MS. MARCUS: I think that is something to be considered, yes.

SENATOR GAGLIANO: That's where we're at, besides the fact that you hear that this is an election year, and it is for all of us. You would buy 20 gallons of gas and would be paying \$1.40 extra.

MS. MARCUS: We realize that. I'm not advocating that particular taxation. What I'm saying is that is an option left open to the Legislature. An increase in the income tax is an option and there are other kinds of tax reforms. But, the League does not support the dedication of any taxes.

SENATOR HERBERT: Okay, thank you for coming. Theodore LaBrecque of Monmouth County?

T H E O D O R E J . L A B R E C Q U E: Thank you, Mr. Chairman, and gentlemen. I am here representing the Monmouth County Transportation Coordinating Committee today. I just want to say, to begin with, that our Committee wholeheartedly supports the stand taken by both our bus and rail commuters. You know, we have both bus and rail commuters in our County. We used to have rail commuters all the way. But, years ago, unfortunately, the people along the Freehold-Lakewood Line lost their rail service so they have bus service.

On the other line, going to New York and Long Branch, they have both bus and rail service functioning. The rail service is subsidized. The bus service, as part of New York Transit, is not under subsidy at the present time, although it has been.

Concerning the statement about subsidy today by my good friend, Brother Rukin, I just want to add a little comment. It is not quite as bad as he says, otherwise I can't understand how such a large percentage of people in the State of New Jersey are riding on subsidized service today. We have some very good bus companies in our County of Monmouth. One of them has its headquarters in Redbank and they have been in business for a good many years. As a matter of fact, their founders were founders of the New Jersey Motor Bus Association. They are under subsidy, and in order to go under subsidy you have to make an application to discontinue service and be willing to fill the whole thing up, and they did it. And, they are under subsidy today, and they are still rendering good service thanks to the subsidy of the State of New Jersey, through the will of the Legislature as passed. So, I think it is serving a great purpose, and it is serving a great purpose for rail commuters as well. I think it is a good thing that we have something to fall back on because many of us are still working under the old mentality that it is the damn railroad company or the damn bus company that is responsible for everything, and why don't they do this with their money instead of ours?

Today we have reached a stage where it is really our money that we are talking about, and it is our service and we are responsible for most of it. And, we have to face up to this and bite the bullet if it has to be done.

You asked, Mr. Chairman, with reference to the Act of 1979, the Transportation Act, what one of the other speakers thought about it. I think that is one of the best things you can take credit for. I think that this committee deserves a tremendous amount of credit for this forward-looking step which is going to be the salvation, I think, of mass transit in New Jersey.

SENATOR HERBERT: You just made my day.

MR. LABRECQUE: Well, you may not think that way at this moment. I don't blame you, Mr. Chairman, for being very, very discouraged. But, the very fact that we are here today discussing it, the very fact that there are going to be hearings all over the State and people are going to be heard from, and the very fact that an effort is being made to explain the thing to everybody is the greatest joy that you should have from the work you have done, because it is being done out here in the open. We don't have to chase the Commuter Operating Agency. We don't have to come in and find out the job was already done. We don't have to find out that they were working with less than 50 people in that big department and trying to run all of the transportation of New Jersey that was subsidized. There is just no comparison. It is like

between black and white before you set up New Jersey Transit, and it is going to work.

Now we have a difficult thing. I also Chair the North Jersey Transit Advisory Committee and we have trouble too. Frank Tilley is on it, and he already told you some of it. We have adopted some resolutions. We have adopted one resolution because we thought the first thing that had to be done was we had to find out the things that are in this budget that has been submitted and if they are necessary. Do they have to go this year? After all, we are talking about this year, not next year. We are coming to that in a minute. But, we are talking about this year. One of our members immediately got up and said: "I can't understand how we are telling the majority of the people - almost all of the people of the State - they are going to have to pay 50% more this year, and another 40% or 50% next year, and then we are saying to another group of people, who we love very much, you are going to ride free from now on and we are going to pay for it." It just didn't seem right. I think we should strive for that goal. Maybe it has been promised in the past, and when we can do it, we should do it. But, I don't think this is the year to do it. That was the feeling of this lady on our Committee, who adopted a resolution that we are going to present to New Jersey Transit at their meeting on the 14th.

We also appointed an ad hoc committee for the purpose of considering what can be done here. There are two phases to this thing. The first phase, of course, is the budget and getting the money for it. The second one is, as to the money we can't get, what are we going to do about the fare increase? You have to separate them. There is no use screaming that the fares are terrible and you have to stop the fares. We have to do more than that. We have to find out what can be saved and what can be taken from the budget. I couldn't think of any more than that one item, but there may be others too where some saving can be made. But, the biggest thing is, what money can be allocated in the main budget to be devoted to transportation in order to fill this gap for this year? After all, we can't get away from the idea that we have to have some permanent form of financing transportation, beginning next year. The next legislature is going to have to bite the bullet, and I think most any commuter and most any reasonable citizen will realize that is something that has to be done. But, in the meantime, we have to get over the hump, and to get over the hump somebody has to take that budget-- And, our Committee - the Monmouth County Transportation Coordinating Committee - and the North Jersey Transit Advisory Committee are both going to be before the Appropriations Committee urging that something be done along that line. But, that has to be done. After all, asking you as a Transportation Committee to oversee this and see that good transportation is taking place, and not giving you any money to do it, isn't fair to your committee as well as it isn't fair to the commuters or it isn't fair to the citizens of this State. Everyone is interested in good transportation; it isn't just the people who happen to ride this day or this year -- it is all the people. Transportation is the lifeblood of this state. That's what makes people go from place to place. It is what makes business. It is how you can sell your products from the farm. It is how you can find places to buy, and how you can find work to support your family and come home into your town in New Jersey and pay taxes. So, it is

very important to everybody and we have to come to it.

In the meantime, there has to be a reallocation - as much as can be done - in order to reduce the shortfall. The shortfall is supposed to be \$80 million. If half of that could be reduced, and then there are some fare increases - which the commuters are willing to pay - and some service curtailments which can be worked out in order that there is not too much harm done, that would carry us until next year. Next year we face the real possibility that we can come up with a good idea.

Initially, I favored Commissioner Gambaccini's idea. There may be other ones that are better. But, there should be some way in which this money, which is contributed year after year by the motorists of New Jersey and is devoted to everything except transportation, with the exception of 6% or 7%-- Something has to be done to right that inequity and right it as soon as possible.

So, gentlemen, I think we have two problems. The first problem is to try and find some more money in the budget -- reallocate it. If you can't find new money, and that is difficult at this stage, reallocate money -- a little bit from this and a little bit from that -- so as to cut this shortfall. And, the next thing is to reduce the fare increase as much as possible so that it will be bearable. Next January if it looks as though other things have to be done, it is time enough to face it. But, we have to encourage riders and kill all the ills that many automobiles on the road have caused. And, above all, we have to save fuel, because it isn't always going to be like it is today.

So, that is generally the way I feel. There are a lot of other people here behind me and I want to give them a chance to speak too. I want to thank you very much for allowing our Monmouth County Committee to appear before you. I assure you that we want to cooperate.

SENATOR HERBERT: Thank you for coming. Am I to understand that you do favor the 5%?

MR. LABRECQUE: I personally would. Our Committee hasn't taken a stand on it.

SENATOR HERBERT: And its dedication?

MR. LABRECQUE: And its dedication, that's right. I think that would be a good solution. I will be listening to hear a better one, and there may be better ones, but I haven't heard them yet.

SENATOR HERBERT: Thank you very much.

SENATOR GAGLIANO: Has anybody calculated what a 5% tax on the gasoline would be, based on the sales? Jerry, do you know?

MR. PREMO: How much would it generate each year?

SENATOR GAGLIANO: How much would it generate based on present use of fuel and vehicles?

MR. DENZLER: Sir, the present fuel tax generates about \$270 million. That's what? Eight cents?

SENATOR GAGLIANO: That's eight cents. This would be a percentage.

MR. DENZLER: Well, five percent is six cents -- about three-quarters as much as the present fuel tax. It would be about one hundred and eighty million.

SENATOR GAGLIANO: One hundred and eighty million?

MR. PREMO: I think it is over that. It is between that and two hundred million, depending on what your base is on the cost.

SENATOR HERBERT: It also depends on what the price of gasoline is.

SENATOR GAGLIANO: That's right.

SENATOR HERBERT: We haven't changed the eight cents tax in years.

MR. LABRECQUE: That's right. It is not to be sneezed at in any event. Maybe we have something there. Thank you very much, gentlemen.

SENATOR HERBERT: Rudolph E. Denzler of the Lackawanna Coalition.

R U D O L P H E. D E N Z L E R: Gentlemen, thank you for the opportunity to express our views. Our theme is the proposed 100% rail fare increase would be preposterous, inequitable and self-defeating.

My name is Rudolph Denzler, and I am the Vice Chairman of the Lackawanna Coalition. Seated at my left is Sidney Palias, Chairman of the Lackawanna Coalition. There is a long paragraph here which I think I can boil down. It is good reference material as to who we are and who we represent.

Let me just say that there are 18,000 commuters on our electrified former Lackawanna line. We feel we represent them. They come in from about 38 stations, into Newark and Hoboken, and generally a 45 degree pi sector that radiates out from Hoboken westward. About 20% of these riders stop at Newark, and the Newark station is the old Lackawanna Broad Street Station; it is not the Penn Station you are more familiar with. It is about one mile away, and it is not connected trackwise. It is at the north end of the Newark business district.

The other 80% of the riders go to Hoboken, and most of these go on to New York by way of the Path Tube trains. By way of volume, all the trains go through Newark and during the 7:00 to 9:00 rush hour, there are about 24 trains going eastward. Between 5:00 and 7:00 P.M. in the afternoon there are another 24 trains going westward. That is a train about every five minutes, which branch off into three different lines.

Now, being 8th on the list puts you at a little bit of a disadvantage, and my sympathies go to the people who are 9th, 10th, and 11th. Our feat looks like a target range board -- it is shot full of holes by all the well-meaning people who brought out all my good points. I am not going to repeat them all.

SENATOR HERBERT: I have been reading your statement.

MR. DENZLER: I am not going to repeat them all verbatim, but I do think we are entitled to hit some highlights to show that we too feel a certain way on certain points.

So, of course, we are here to protest the magnitude of the fare increases, and one way to say it is that a 19% yearly increase in cost is proposed to be balanced out by 100% increase in fares to the riders. That seems a little bit unbalanced.

Again, we say this would be preposterous, inequitable, and self-defeating, and we hope to develop these three themes.

It would be preposterous because it would combine a huge fare increase with a concurrent reduction in service, together with continued use of ancient equipment, and this ancient equipment is our particular grievance on the Lackawanna electric line. And, I have a long list here of decrepitudes, which I do

believe we should read to give you a full picture of what we are riding in.

Our riders have been waiting since 1968 for the renewal of the electric line. The 1968 bond issue was pledged to do this. Our cars were then about 38 years old and overdue for replacement. Now, they are 51 years old. Although it is true that many of the cars have been repainted inside and out, and the cane seats have been replaced with vinyl, nevertheless the cars still clank unmercifully at the couplers; the windows are semi-opaque, whether or not you wash them; the Lexan replacements for broken glass rattle with every passing train; the cars are either too hot or too cold in the winter; they are too stuffy and too hot in the summer; there is no cushioning - that is, there is no shock absorbtion - underneath to smooth the jolts of rough tracks. Some of our track has been replaced with continuous welded rail, but much of it is still bolted rail in mediocre condition. The lighting is irratic. Trains are made of pairs of cars, which are married pairs. They use two or four or six or eight, and they are subject to the loss of a pair of cars due to electrical or mechanical malfunction which leaves short trains, and people in the aisles. Then we have the sort of things like dropping cowcatchers and snagging pantagraphs, and I am not making all of this up; I have experienced all of this more than once. Now, we are not criticizing the crews, they are working with this old equipment and doing the best they can. But, we are saying we are in no mood to pay double fare for all the above privileges. So much for being preposterous.

Now, we feel the fare increase would be inequitable because no other taxpayer group is being penalized so heavily. Moreover, commuters are generally a high taxpaying group that already support government much more than government supports them. The huge fare increase would be self-defeating. Moderate fare increases always drive a modest percentage of riders away. A huge increase alone will drive thousands away, and the service reductions and the antiquated cars will aggravate commuter frustrations and intensify the losses further.

The immediate effect of this will be that the funding gap will be reopened with a vengeance. Also, there will be long-term domino effects whose magnitudes are as yet unrealized and incalculable. As it gets costlier and slower to get to work more and more businesses will relocate out of the center areas, often to other parts of the country. The cities' problems will be aggravated.

Now, John D'Amico mentioned the Times article yesterday, about the serious condition in New York being due, among other things, to transportation. He didn't mention that in the New Jersey section of the same Times is the first of a series of articles on the decay of Jersey cities that started with Newark. Newark is in a very sad way, and no small part of it is that their transportation has become antiquated, congested, and so on. One line of the Newark article, in speaking of all of the cities in New Jersey, is: "...like Newark, they grew up as shipping, manufacturing, and rail centers." It goes on to show how crucially important that is to the health of the city. So, the cities' problems will be aggravated.

Both urban and suburban residents will lose jobs or move away with the company. Suburban housing values will suffer as the demand slows. Local government's real estate tax collections will slacken, even as urban ones already have. Rail employment will be cut further as part of the vicious circle.

Another aspect of this is the capital we have already invested in our reelectrification program. The reelectrification program, the one that we were supposed to have started in 1968 - it is about 10 years behind - has a price tag of well over \$4 million. About two-thirds of this has been spent. A new era is close at hand for the Lackawanna area. A 100% fare increase at this time would jeopardize the capital already spent by forcing away our ridership before the new cars can even be put into service on the line.

Now, the next item has been mentioned before, that 20 years ago transportation got 28% of the State budget and now it gets 5%. I won't repeat the numbers, certainly not, but I would like to supplement some numbers that I dug out of the New Jersey budget. Between the 1980 budget and the proposed 1982 budget, if you add all of the aspects of the New Jersey income together, whether it is dedicated or not, you get an increase from 1980 to 1982 of 29%. If you calculate the increase in the Department of Transportation budget, it is 17%. So, you have a 17% rise in transportation, while total income is going up 29%. And, the way these things compound is the way it got to where it is, where what used to be 28% is now down to 5%.

To this we must add, according to Commissioner Gambaccini, twice as many lane miles of road to maintain, and he also has mass transit to run, all on a woefully inadequate amount of money. Again, it has been mentioned that New Jersey allocates only about two-thirds of its transportation derived revenue back into transportation. Most states are up in the 90% to 100% area.

SENATOR HERBERT: Some are dedicated.

MR. DENZLER: Some are and some are not, right.

If you look at the 1982 budget estimates, the expected income from fuel taxes and vehicle fees in New Jersey is \$552 million. This is to be compared with the \$400 million or so proposed budget.

I picked up a point some weeks ago. Senator Kennedy - New Jersey's Senator Kennedy, who is on the Joint Appropriations Committee - was on Channel 13 several Sundays ago, and he pointed out that the three items of education and social services and employees' salaries account for 75% of the state budget. What this means is that while these aspects of State government have mushroomed, transportation and other items have been pushed down to smaller and smaller percentages.

So, to summarize, the Lackawanna stands firmly on the position that rail transportation cannot be allowed to be crippled as it surely will be by the proposed budget. We feel that practically all other causes have demanded and received preferred treatment for years, in fact for decades. We say to you gentlemen of the Legislature, it is high time to upgrade your transportation priorities. We say that it is your responsibility to decide whether to reallocate present resources or to augment them by some new tax.

The State budget is now being deliberated in the Joint Appropriations Committee, and we would therefore urge that the Senate Transportation Committee apply all diligence to urging these recommendations on the Appropriations Committee. This must be done during April before the budget goes to the full Legislature.

I am sort of an alumnus of the Tom Taber school of transportation, and so I would like to quote from his favorite quotation: "Public transportation is a public necessity." And, as continuing observers of the transit field,

we will certainly be watching Trenton to see which of our elected officials are acting in the spirit of that axiom.

I would like to add also that in furtherance of promoting an awareness of what is going on and what is a reasonable point of view, our Coalition has monthly meetings. The next one is next Monday. We have invited several legislators to attend our next meeting, and at least one - that is Jim Barry, who is on the Appropriations Committee - will be coming up to hear some more of our point of view. We are about a two-year-old organization, and another of our activities is, every few months we put out a newsletter which we call the "Railgram." We distribute about 15,000 of these in Hoboken, Newark and at some of our suburban stations. There will be one passed out in Hoboken and Newark this Thursday, again pointing out the critical fare situation and giving lists of all the legislators in the local areas we serve, and asking everybody to write in and say what they think. These are among the things we are trying to do to at least increase awareness and get some kind of consensus.

I would like to just throw in a couple of things that are sort of philosophical. When a transit system loses money, you have a need to spread the overhead thinner and that means getting more riders. So, anything you can do to get more off-hour riders, more reverse commuters, more buses meeting trains at stations, and even maybe some feeder buses that take people from stations to shopping malls, will increase revenue with a very small increase in cost and they can all help.

By way of illustrating how successful it can be, this is the timetable for all of the railroads in Switzerland. It is a book, almost like an unabridged dictionary. You can get a train from anywhere to anywhere else in from 20 minutes to every hour. The second class coach fares, which are as good as our coaches here - maybe better - run about 15¢ a mile one way, and about 10¢ a mile if you buy a round trip ticket. In other words, they are not exorbitant. Considering that a Coca-Cola costs about \$1.00 over there, 10¢ a mile is not bad. They do it. They have excellent service. Everything about it is legendary. But, the point is they have a very broad base. I don't know the percentage, but I would guess that maybe half of the passenger traffic in Switzerland is done by train. Automobiles are growing. They are getting to be a bigger and bigger complication, but the trains are there. They are immaculate, on time, fast, and that shows what can happen if you broaden your base. Our base is 70,000 rail riders out of 2 million New Jerseyans who go to work. It is an insignificant percentage. If we can double or triple that, your overhead is spread much more thinly.

Those are my comments. Thank you very much.

SENATOR HERBERT: Thank you very much for coming. Do you support a 5% fuel tax?

MR. DENZLER: We think that some tax increase is in order, and that seems like a very reasonable one, partly because it would automatically rise with inflation.

SENATOR HERBERT: Yes. Of course, the corollary to that is that we depend on OPEC to set our tax. That's not really good.

Do you support dedication of transportation funds?

MR. DENZLER: I would think so. I understand the constitution says you can't, but the income tax is dedicated.

SENATOR HERBERT: We've had dedicated funds the last few years all over the place.

MR. DENZLER: And, the casino tax is dedicated. So, we certainly have the precedents, and I would say, yes.

SENATOR HERBERT: The people who are opposed to dedication would say that the very reason why we are in the bind we are in today is because the income tax, the lottery funds, and casino funds are all dedicated.

MR. DENZLER: But, the income tax is doing what it had set out to do. It may not all come back as a homeowner's rebate, but it all comes back to home, locally. It comes to the town, the school, or your own pocket. So, it is doing what it was meant to do.

SENATOR GAGLIANO: I found my notes. The five percent tax on the 3.5 billion gallons, which was the amount of fuel used in 1980 by motor vehicles, on the basis of 7%, I think - I figured it out to be this - would be \$262 million -- excuse me, 7¢ or 7½¢, I forget; would be about \$262,500,000, which would be a substantial amount of money. That is on the basis - as I recall - of the 1980 use of three and one-half billion gallons of fuel.

The other thing about dedicated taxes is that, you know, a smart state treasurer can take that dedication and make it null and void, basically because they can move money around. I don't quite know how they do it, but for example the casino money was dedicated for certain things, and people voted on it specifically in that November election, whenever it was, I think it was 1978. It said specifically this would be for senior citizens and disabled persons, to help reduce taxes and one other thing; I forget what it was.

SENATOR HERBERT: Utility bills.

SENATOR GAGLIANO: Right, utility bills. And, we have used it for a drug program, a pharmaceutical drug program which had nothing to do with the question on the ballot. That is why a lot of people don't trust government when they come up with dedicated taxes, so we have to think about that too.

But, your indication was about 180.

MR. DENZLER: That was a mental calculation based on 250 million presently expected from the fuel tax. The fuel tax is 8¢, right? So, if it is 7¢, that is 7/8th again as much as that. It is somewhere between your numbers. That would be a 50% improvement over the present--

SENATOR HERBERT: Just one thing. Does your group serve Bergen County?

MR. DENZLER: No, not at all.

SENATOR HERBERT: Ours is the old Erie-Lackawanna.

MR. DENZLER: No, we are the Lackawanna. Hoboken, of course, is Hudson County, and Newark is Essex, and then we go through a number of stations in Essex to Summit, which is Union County, and then we branch and the stations are partly in Union, partly in Morris, and partly in Somerset.

MR. PALIAS: If I might add, the reason for concentrating on the electric lines is the reason for the group's formation two years ago -- no progress with the reelectrification. That was the rationale for forming it where we targeted it.

SENATOR HERBERT: Now you are speaking on other issues as well. We appreciate your presence here.

MR. PALIAS: Well, what good is a commuter group with a nice new

reelectrified line, with nice new equipment if we have driven away all of our passengers with unreasonably high fare increases.

SENATOR HERBERT: Right. Thank you so much, gentlemen, for coming.

Lou O'Brien.

LOUIS J. O'BRIEN, JR.: Senator Herbert, Senator Gagliano, I am Louis J. O'Brien, Jr. from Freehold Borough. I commute daily between Freehold and New York City by bus. Since 1976, I have been an officer of the Central New Jersey Transportation Board, having twice served as Chairman of that Board.

Mass transportation in New Jersey is at the crossroads. Two years ago, the Governor and the Legislature joined in a pledge to improve our bus and rail system if a bill were enacted to set up a public corporation. We now have New Jersey Transit Corporation, allocated within the Department of Transportation but independent of the supervision or control of that Department.

In the rail area where rail construction projects are being supervised by the Department of Transportation, this independence is not apparent. I question if track maintenance and construction doesn't properly belong in the DOT with highways and bridges. Since rails are used both for freight and passenger service the same as highways are, track maintenance cost should not be a consideration for a fare increase.

I must point out to you that the Board of Directors of New Jersey Transit is presently operating without the three public members as specified in the law. Despite specific language in Sections 4 (i) and 5 (f) of S-3137, the Directors recently approved a motion to seek an exemption from Interstate Commerce Commission regulation. Then, without regard to revenue needs by mode of transportation, these Directors approved an across-the-board fifty percent fare increase.

The Conrail contract, the operations of Transport of New Jersey, the bus subsidy program, the elderly and handicapped program, and any other program N. J. Transit might embark on, should be considered separately and funded separately.

A state corporation became necessary because bus routes were set up by elected officials instead of by transit management. Railroads were severely beaten and left bleeding by local tax collectors, because a bus subsidy program was set up by the State without any consideration for capital improvements or for the quality of service.

Because of these government actions, commuters are now faced with deteriorating equipment and increased fares. These increases have nothing to do with costs incurred on each bus route. These increases force subsidized bus carriers to arbitrarily increase fares regardless of the revenues they need. These increases will hurt the low income worker who must depend on mass transit. These increases will see more car pools being formed as middle and upper income workers reject our deteriorated mass transit systems.

Governor Byrne has not asked for additional transit funds in his budget. He has, however, recommended a free fare program for the elderly and handicapped, to be funded through increased fares. This is a discretionary tax being charged only to commuters.

Governor Byrne has turned his back on commuters. Senators, I would hope that you do not turn your back on us. You, our elected officials, have

set up this corporation. You must now fund it.

One suggestion was to extend the sales tax to gasoline and make it a dedicated tax for transportation. If this were done, I would recommend that one-half of the revenues go to the D.O.T. for highway, bridge, and track maintenance, and one-half of the revenues go to N.J. Transit for their operations. Since revenues for the Emergency Transportation Tax have been lost in the general fund and may or may not have been used for transportation, I fear sales tax revenues would also be lost.

I might suggest a special tax on bus and rail charter operations. Buses especially are flocking to Atlantic City and taking revenues away from regular route service.

I might suggest elderly and handicapped fares be paid from casino tax revenues.

I might suggest that county governments be asked to contribute to routes which are losing money, but which they consider essential to maintain.

I might suggest that increased state funding be made available to pay for N.J. Transit's program management costs.

I might suggest that a fifteen percent - I will repeat that, 15% - across-the-board increase be approved while the budget of N.J. Transit is being scrutinized. This would also give the Legislature time to come up with additional funding.

Senators, you helped set up New Jersey in the mass transit field. It is up to you to lead the way in reducing this unequal and inflationary fifty percent increase which is proposed.

Thank you.

SENATOR HERBERT: Louis, there is just one clarification I would like to ask of you. Bus routes were set up by elected officials? You mean the bureaucrats, don't you? They were not elected officials, correct?

MR. O'BRIEN: Well--

SENATOR HERBERT: Not Mayors and Councilmen, and so on?

MR. O'BRIEN: Well, a lot of times you will find that -- I believe you will find that a bus route was set up to service the people that--

SENATOR HERBERT: The Mayor asked for it?

MR. O'BRIEN: The Mayor would ask for a route.

SENATOR HERBERT: I see. Yes.

MR. O'BRIEN: I don't think this happens too often, but it does happen occasionally, yes. These routes are still maintained because the elected officials in the county or the city insisted they be continued.

SENATOR HERBERT: Okay, I understand that now. You do support a dedication of--

MR. O'BRIEN: I would support a dedication as long as the funds are completely separated out of the general revenue.

SENATOR HERBERT: Right. Well, that's a dedicated tax.

MR. O'BRIEN: We already have a dedicated tax, the Emergency Transportation Tax, and those funds go into the General Treasury.

SENATOR HERBERT: Yes, but it is not dedicated.

MR. O'BRIEN: Yes, it is, sir.

SENATOR HERBERT: It is not dedicated to the budget, is it?

MR. O'BRIEN: Yes, it is, sir.

SENATOR HERBERT: It goes into the general fund?

MR. O'BRIEN: The Emergency Transportation Tax is dedicated to transportation use only, and those funds go into the General Treasury, and there is no way of knowing, definitely, where that money is being spent.

SENATOR HERBERT: Okay. Thank you very much for coming, Lou, is is good to see you again.

SENATOR GAGLIANO: Lou, I just want to ask you one thing. You have been at this for a long time. Do you think it would be feasible for N.J. Transit to take some of their lines and put them out to bid, even if they are bid at a dollar a year, or whatever, to private bus companies in individual areas, to be taken over by them and operated as best they can whether they be subsidized or not? Hopefully they will be unsubsidized.

MR. O'BRIEN: I would not recommend taking a bus route, say Route 9 where they are running a coordinated service with Lincoln, and put this route out and give it to Lincoln to run completely, 100%, and then subsidize Lincoln to run it for them.

SENATOR GAGLIANO: No, what I am really looking for is, for example, something like Mr. Rukin's company, which is not subsidized in its operation at least in New Jersey. The idea is that we would put out for bid for the best possible deal we could get some of the routes of N.J. Transit and have certain pre-qualifiers, and if people bid on them and want to run them, let them have them.

MR. O'BRIEN: Some of the intermediate routes could probably be put out for bid this way. Some of the inner-city routes I doubt very seriously whether you would get many bidders. An inner-city route does not make money. You do not want -- or the bus companies do not want to run these types of routes and I would say that probably Mr. Rukin's company does not run many inner-city routes; they run mostly the intermediate haul, or the long haul routes and charter operations.

SENATOR GAGLIANO: I would agree with that. I guess the thing that really brought this to my attention was that maybe it would be an opportunity for N.J. Transit to not have to be such a large operating company and be more of an operator where the public interest is really needed to be served, and that would be in the areas where obviously no one else would try to do it for profit making purposes.

MR. O'BRIEN: I understand they have a cost analysis of their various routes. I have been trying to get hold of this for about twelve days now. This cost analysis would show which routes were profitable and which routes were not profitable.

SENATOR GAGLIANO: Well, if you get a copy of it, or I can help you to get a copy of it, let me know.

MR. O'BRIEN: Yes.

SENATOR HERBERT: Thank you for coming.

David Pindar, of the Shore Commuters for On-Time Service.

D A V I D P I N D A R: I couldn't help overhearing that. We are very interested in mass transportation in Monmouth County.

SENATOR HERBERT: The Senator was saying most of the speakers today are from Monmouth County, despite what Senator Graves said about Bergen County today.

MR. PINDAR: I appreciate your admonition about the hour, Senator.

My father, who was once a member of the other House, back in the '20's, from the Hudson County delegation, so long ago that it was in the minority, used to tell stories about stopping the clock. I don't expect you to do that with me.

It is an honor and a privilege to represent the commuters that I do in appearing before you. You exercise an office that goes back to at least the Roman Republic and we expect you to act accordingly, so to speak.

I would point out to you, however, that this was not thrust upon you by divine right. You were elected to these positions and we are here today, perhaps in mass from Monmouth County, to tell you how we feel.

I have been asking my colleagues how they got here, and I am going to violate this by going home with Judge Labrecque, but I appear to be the only one who came here by mass transportation, and I did that by going from Belmar, New Jersey, to New York to take care of an emergency matter, and then coming down here on a Amtrack train that was one-half hour to forty minutes late because of a power station problem, which is illustrative of my next point -- that there isn't any time for quick fixes. Thirty years of quick fixes by short-sighted people are what brings us here today.

Now, I think it is 1981 and events have proven beyond argument that the best way to move people around in congested metropolitan areas is by mass transportation, and particularly by rail, because the tracks are there, the environmental damage is limited, and, in fact, it has already been done and it can be controlled.

Every day I cross the Meadows and look at the New Jersey Turnpike for about one mile and one-half, where the northeast corridor parallels it, and one may count anywhere from 38 to 45 cars. The vast percentage of those cars have one person in them, and that is the driver. I think it is time we made a judgment that sound public policy requires that you make it as difficult as possible to drive an automobile to work.

The most significant highway improvement recently has been that connector between the Stickle bridge and the Turnpike. I work with someone who now drives his car into mid-town Manhattan because he can use that connection.

Next to that, you have these non-polluting, brand new, very expensive railroad cars running back and forth that the State has paid for and that the taxpayers are going to be saddled with the debt service from for quite some time.

Now, SCOTS was founded back in the very bad winter of 1978 when a bunch of business executives decided that the Commuter Operating Authority needed a little help. We like to think that we gave it a great deal of help. We like to think we are responsible for the best passenger survey they ever got, which happens to be the most accurate one. We like to think we are responsible for the change in operating procedures in South Amboy that speeds up and practically insures on-time morning service to New York trains. And, we are totally appalled by the possibility that this vast, expensive system, which is just about to be reborn, is going to be murdered by the short-sighted destructive fare increases.

Now, there is more involved here than just competing for a subsidy dollar. There is no question that the environmental aspect of mass transportation can only be helped, tremendously helped, by the State making a judgment to support mass transit at the expense of driving an automobile. And, we submit

to you that the true impact of these fare rises is going to be that -- the reverse of what should be done.

Now, we also realize we are all in the same boat. Conrail, labor, New Jersey Transit itself, and the commuter, have to all bail to keep us going. We think that the State Legislature should memorialize Congress immediately to make the cost of commuting by mass transit only deductible from one's income tax return, or if not that, in some meaningful way from the State Income Tax return. Incidentally, we also think that New Jersey Transit ought to take another look at the length of trip as to which air conditioning and heating are required on buses. We do not think it is in the public interest to require that it be 100 miles.

The hour is late, gentlemen. That's all I have to say. I think it is time to make a 180 degree change in public policy. The use of automobiles for transportation, particularly commuting, should be discouraged and I think it is up to you to do it.

SENATOR HERBERT: Thank you for coming. Do you support a tax on motor fuel?

MR. PINDAR: If it is constitutionally possible, I support the dedication a fuel tax, yes. The organization, however, has not been polled on that point.

SENATOR HERBERT: Okay. Thank you.

Today we have ladies last, Joy Ferguson from the Commuter Wives Organization.

A R L E N E S T U M P: Joy couldn't be here today, Senator.

SENATOR HERBERT: Okay. Arlene Stump.

MS. STUMP: I am last; I hope I am not least. First of all, thank you very much for holding these hearings. I hope to see more of them because I think they do accomplish a lot, and they do bring about a lot of good things although maybe you don't see them right away.

I am just going to make two interjections before I go into a very brief testimony. One is I guess an endorsement and support of what Jack Sadow is trying to do, reference the heating and air conditioning problems that they are experiencing now.

I would like to backstep to this morning, which may be hard at this point, with reference to someone who got up and spoke and addressed the issue of freezing New Jersey Transit hiring. I have to say that Commuters Wives has very mixed emotions about hiring consultants. That has been a thorn in our sides since we began. We attend these meetings on a regular basis, the board meetings, the COA meetings, and we have seen enumerable dollars go out in outside contracting. To be fair to you, I would ask that you give consideration to and perhaps look at the balance between work that is contracted outside by consultants versus what can be done in-house, because I am not all that convinced that perhaps maybe there isn't enough talent within New Jersey Transit - hopefully - that we could avoid the high consultant fees that we have had in the past. I think that really should be given some consideration.

I have a few comments to make about commuters that I have spoken with in the last weeks on the train -- on the North Jersey Coastline. I have asked quite a few people how they feel about the impending fare increases and service cutbacks. No one is happy.

The first initial reaction is that they are willing to pay their

fair share. I don't think there is any question about that. I think there is a feeling that at this point in time some people are going to experiment with the various modes of transportation that are now available. You are going to see a merry-go-round effect between bus, train, car pooling, and private auto. I think that everyone is going to give a try to each of those to find out which they feel more comfortable with. I think much to their surprise a lot of the rail riders are going to end up back on the train.

Some people have said that they will have to leave New York and seek employment either in New Jersey or outside of New Jersey. Others have said that they will have to stay close to the city because of the nature of their jobs. They don't have the flexibility to move, so they are going to relocate closer to the cities. I think all of these options will have a tremendous effect on local business and the real estate industry in this state.

Commuters Wives, in the last few weeks, has been in touch with the New Jersey State Association Board of Realtors and also the State Chamber of Commerce people in an effort to certainly not frighten them or have a waive effect through the industry, but nevertheless to educate them on what the problems and needs are of mass transit users and to filter that information down through their industries.

I don't like to be redundant when it comes to fares but I did a little homework last night on chopping up the North Jersey Coastline into three spots. A ticket from New York to Woodbridge is presently \$72. January 1, 1985, it will be \$461. I base all this information on a 50% initial increase, a 40% followup, and an annual 45%, which is kind of a middle-of-the-road projection. A Newark ticket, which is now \$44 to Woodbridge, would be \$280. Redbank is a startling \$616. They are now paying \$96. A Newark ticket will be \$473. And, Bayhead to New York, a monthly ticket, is now \$107 and it will be \$686. And, a monthly ticket from Bayhead to Newark will be \$547; it is now \$85. These kinds of figures, especially as you go further south, come to a point where you are equaling a mortgage payment to a monthly ticket, and it is going to be a decision that a lot of people have to make: "How can I comfortably afford to live in New Jersey and commute to my job ?

Certainly, we have come too far - almost full circle now - with capital improvements. Everybody has an investment. The taxpayers of the State have an investment through bond issues and we are just on the horizon. Wouldn't it be a shame to come this far and see the fall or the collapse of a mass transit system which I think is right around the corner if we don't address it right now? I will not only ask you, gentlemen, but I will ask the Joint Appropriations Committee, on April 28th, to take a long, hard look at the future of mass transit in this State. We have an immediate problem now. We have an \$80 million shortfall. How do we address that? But, we have a future. We certainly need the State Legislature to enact a measure that will insure permanent funds, that will enable the State to operate and maintain a viable mass transit system.

I may suppose some questions that will come at me and I am going to give an answer ahead of time concerning the dedicated tax or the gasoline tax. I don't think it is wise for anyone to commit themselves to either decision or any other alternative that may be offered. I think for once we have to

stop being so quick in making decisions. I think there has to be a joint effort. Certainly, I think our commuter group, along with the other commuter groups, with the State Legislators, with New Jersey Transit, should sit down and carefully go over any and all proposals before them and not be so quick to jump at the first thing that comes along that looks good. We have done that in the past and look where it has gotten us.

I really have nothing else to say, only that you have our full support in any of your endeavors, and I certainly would like to see some motion now because a new administration is coming in. I am not saying I want to see a bill passed, because I know that can't happen. But, what I am saying is, I think it is of the utmost urgency to start pooling resources and ideas and proposals that we as commuter groups can carry from one administration into the next. Because you are going to have three or four hundred crucial items before the new administration, and do you know where mass transit is going to be in that shuffle? In a very, very low priority.

SENATOR HERBERT: That's where it is now.

MS. STUMP: Well, it is probably going to be worse by then, and the thing that upsets me the most is the longer we wait the potential of the ridership that will be lost will be incredible. I don't think we can afford to take a risk. I think we have to act now. Certainly our group, and I'm sure all the commuter groups, is willing to do as much as possible during this administration to get things moving. We don't want to see the inertia that is there now. Thank you.

SENATOR HERBERT: Thank you for coming. Senator Gagliano.

SENATOR GAGLIANO: I think Arlene is right. We should not jump into anything. As a matter of fact, with respect to the new tax - and this is what I have said all along - I truly believe that the extent of the shortfall of \$80 million has been somewhat, if not a lot, expanded, shall we say, in order to make a rapid case for a new tax, and that's what been bothering me. I really believe there is a need for increases. I think we all know that just from the cost of fuel and the basic inflationary costs. But, I for one can not see \$80 million. I just feel-- I don't know whether you are the last witness or not, Arlene, but I do want to point out, frankly, that Arlene and the ladies that are the other commuters wives actually go to the location of the problem; they go to the yards where the trains are kept. They look under the trains. They know more about the operation of these things than a lot of people who have been paid to do it. I think they do a tremendous job.

MS. STUMP: I have one request: That New Jersey Transit wash the windows on the trains.

SENATOR HERBERT: Once again, I guess they are restrained by the water shortage.

Ladies and gentlemen, this concludes this hearing. We have several ideas from it. We will talk about them in Committee. There may be some other commuter hearings throughout the State. I have to discuss it with the Committee. Thank you all for coming.

(hearing concluded)

SHORE COMMUTERS FOR ON-TIME SERVICE ("SCOTS")

Commuter rail service in the Northeast New Jersey metropolitan area and its capital and operational funding problems are as complex as any political issues in the United States and more so than most.

Solutions are not to be found in any "quick fixes." Indeed thirty or more years of "quick fixes" by short sighted politicians at the federal and state level is what has brought us to the crisis of the moment.

In 1981 events have pushed beyond argument the truth that all mass transit but especially that by rail is the most energy-efficient method of moving large numbers of people in congested metropolitan areas. It is also the least air-polluting, and, since railroad lines are already in place, the least damaging to the environment.

We still face accelerating mass transit problems because of our irrational commitment to the automobile as a primary transportation mode. As a direct example of this: The New Jersey Turnpike and the Northeast (rail) Corridor lie within a few hundred feet of each other for about a mile across the Hackensack meadows. SCOTS has monitored motor vehicles on the Turnpike closely as to size, number and passenger count in this area where, it can be safely assumed, most are headed to or from the Lincoln Tunnel. By far the largest number of cars have only one occupant the driver. This is true of small cars and big cars, station wagons and even vans.

It would be sound public policy to make it as difficult as possible to drive a car to work in the face of redundant mass transit facilities. Commuters are here today because politicians are about to do the exact opposite: make it more difficult - even impossible for some - to use the energy efficient, non-air polluting, almost brand new commuter rail cars in which the state has invested hundreds of millions of tax dollars and as to which taxpayers will be saddled with debt service charges for years to come. This cannot be allowed to happen.

A serious decline in mass transit ridership, however brought about, which would ultimately lead to long range deterioration in the good capital planning and service levels commuter activism has forced politicians to achieve, would be a fiscal, social and economic disaster. This cannot be allowed to happen either.

SCOTS calls upon our politicians to assess the true impact of mass transit upon the whole economic, social and ecological fabric of New Jersey and act accordingly and responsibly. The members of SCOTS stand ready to pay their fair share of the cost of our vital modern mass transit.

SCOTS calls upon rail labor and Conrail management to recognize that we are all in the same boat. We all must bail to keep mass transit afloat. The time has come to look for innovative methods of significantly increasing operational productivity to reduce cost. Specifically SCOTS calls for rejection of any and all current labor agreement "sacred cows." Every operation, including the internal structure of N J TRANSIT, must be subjected to new tests of productivity, safety and efficiency.

The state legislature should promptly memorialize Congress to make the cost of commuting BY MASS TRANSIT ONLY deductible on one's federal tax return or separately deductible, in a meaningful manner, on one's state tax return.

The citizens of New Jersey cannot permit the destruction of the state's reborn mass transit system through the shortsighted driving away of riders with unrealistically escalating fare increases.

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Chairman
115 4th Avenue
Avon-by-the-sea, NJ 07717
(201) 988-6912

3/17/81 NEW JERSEY TRANSIT CORP. PROJECTED RAIL FARE INCREASES
TO COVER LOST FEDERAL & STATE FUNDING

I. BASED ON CURRENT RFD BANK TO N.Y.C VIA NJCL

<u>MONTHLY</u>	<u>\$</u>	<u>CURRENT ACTUAL COST % OF</u>	<u>INCREASE IN % INC.</u>	<u>ACTUAL COST</u>
CURRENT.	\$96.00	39%	-	\$246.00
7/1/81 @ 50% INC.	\$144.00	48%	23.1%	\$300.00 22%
7/1/82 @ 40% INC.	\$201.60	67%	39.6%	\$300.00

PROJECT 3 YR MONTHLY FARE INCREASES - COST PER MONTH
FROM RFD BANK TO N.Y.C VIA NJCL

<u>YEAR</u>	<u>3.5%</u>	<u>TO</u>	<u>5.5%</u>
1983	\$272.16		\$312.53
1984	\$367.42		\$484.42
1985	\$495.45		\$750.85

II. ESTIMATED DECREASE IN RIDERSHIP

<u>DESCRIPTION</u>	<u>RIDERS</u>	<u>MONTHLY FARE</u>	<u>MONTHLY INCOME</u>	<u>% INC.</u>
CURRENT	71,000	\$96.00	\$6,816,000	
DECREASE TO (ON 7/1/81)	60,000	\$144.00	\$8,640,000	
RIDERSHIP DECREASE	11,000 OR 15.5%			
INCOME INCREASE FROM FARES			1,824,000 OR 26.8%	
DECREASE TO (ON 7/1/82)	53,000	\$201.60	\$10,684,800	
RIDERSHIP DECREASE	18,000 OR 25.4%			
INCOME INCREASE FROM FARES			3,868,800 OR 56.8%	

NOTE: EVEN WITH A 25.4% RIDERSHIP DECREASE OVER NEXT 9 MONTHS
INCOME INCREASES BY 56.8%.

3/17/81 NJTC PROPOSED RAIL FARE INCREASES TO COVER LOST FEDERAL & STATE FUNDING

III. PROJECTED MONTHLY FARE INCREASES CONVERTED TO COST

PER 1 DAY ROUND TRIP BASED ON MONTHLY COST TO COMMUTER

DATE	% INC.	MONTH	(23) ROUND TRIP	PROJECTED ACTUAL COST	(23) ROUND TRIP
CURRENT		\$96.00	\$4.17	\$246.00	\$10.70
7/1/81	50%	\$144.00	\$6.26	\$300.00	\$13.04
1/1/82	40%	\$201.60	\$8.76	\$300.00	\$13.04
			<u>@ 35%</u>	<u>@ 55%</u>	
1983		\$272.16	\$11.83	\$312.53	\$13.59
1984		\$367.42	\$15.97	\$484.42	\$21.06
1985		\$495.45	\$21.54	\$750.85	\$32.64

IV. BY CONTROLLING COST INCREASES AND REDUCING THEM FROM CURRENT ANNUAL 25% TO 15% ANNUAL IN 1986 - WITH FARE INCREASES AVERAGING 40% ANNUALLY (FIRST YEAR 60%) YOU BREAK-EVEN IN 1986

DATE	← COST →			← INCOME →			NEED
	% INC.	MONTHLY ACTUAL	ROUND TRIP	% INC.	INCOME	ROUND TRIP	FUNDING
CURRENT	-	\$246.00	10.70	-	\$96.00	4.17	\$150.00
7/1/81	12 1/2%	\$276.75	12.03	30%	\$124.80	5.43	\$151.95
1/1/82	12 1/2%	\$311.34	13.54	30%	\$162.24	7.05	\$149.10
1/1/83	23%	\$382.95	16.65	40%	\$227.14	9.88	\$155.81
1/1/84	20%	\$459.54	19.98	40%	\$318.00	13.83	\$141.54
1/1/85	17%	\$537.66	23.38	40%	\$445.20	19.36	\$92.46
1/1/86	15%	\$618.31	26.88	40%	\$623.28	27.10	+ \$4.97

COMMITTEE FOR BETTER TRANSIT, INC.

NEW JERSEY TASK FORCE

BOX 139 - MIDDLESEX, N. J. 08846

April 2, 1981

The Honorable Francis X. Herbert
Chairman
Senate Transportation and Communications Committee
State House
Trenton, New Jersey 08625

Dear Senator Herbert:

As the Committee for Better Transit is an all-volunteer citizens' group, it is sometimes difficult for us to have a representative appear before your Committee in person. We would, however, like to share with the Committee our views on the recently announced rail and bus fare increases announced by New Jersey Transit.

The issues associated with the proposed bus and rail fare increases fall into two major categories. The one being addressed by the New Jersey Transit Corporation through public hearings is basically as follows: "Given the need to operate with a balanced budget and given a projected budgetary deficit, how do we balance the budget within the resources available to the Transit Corporation, i.e., fare increases, service cuts, etc." Committee for Better Transit believes that this category is properly within the realm of the Transit Corporation and should be addressed primarily through the public hearing process, the work of the North and South Jersey Transit Advisory Committees, and direct citizen contact with the Board and staff of NJ TRANSIT.

The second major category can basically be defined as follows: "Is there a way to increase the revenues available to NJ TRANSIT through action by the Legislature, Congress, or State or Federal Executive branch? Is there other legislative or executive-branch action that needs to be taken?" It is this item that we are addressing here.

Committee for Better Transit believes that there are a number of actions which can be taken in this area. These are:

1. Eliminating the proposed free fare program for the elderly and handicapped and retaining the current reduced fare program instead. The money to be saved (\$6 to \$13 million dollars depending on how one evaluates the proposed impact of this program) should be applied to the general NJ TRANSIT budget. We observe that most elderly and handicapped have access to other free fare programs for essential medical and shopping trips. In addition, most elderly receive cost-of-living increases in their social security benefits. To give this class of persons free fares while raising fares 50% to the working poor and other non-elderly and handicapped individuals who have limited financial resources is unjustified.



STEPHEN B. DOBROW, Ph.D. - PRESIDENT

STEPHEN R. LAX - NEW JERSEY COORDINATOR

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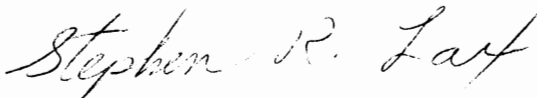


2. Providing the greatest flexibility in the allocation of State dollars to capital and operating items in the budget. Even though it hurts when we say it, NJ TRANSIT should have the flexibility to defer those capital items which do not lead to operating savings or which are not needed for safety reasons. For example, the system has done without bus shelters for decades. Bus shelters are amenities. But it would be far better to keep more current service operating efficiently and to keep fare increases modest than to build additional bus shelters simply because the program exists.

3. Requiring that NJ TRANSIT develop an annual operational improvements plan that addresses items raised at public hearings and by the Legislature and provides a mechanism for evaluating those issues and reporting back to the Legislature and the general public on them. Specific timetables for this procedure should be included in such a plan. For example, Committee for Better Transit, in fare increase hearings before the COA in 1976 and 1978 and before NJ TRANSIT in 1980 specifically called for an improved and simplified bus-bus and bus-train transfer system. We also called for rationalization of the bus zone system, some sort of reduced fare multi-trip ticket for urban bus riders, and a marketing program addressed to the potential public transit user. In our 1980 testimony, we went so far as to argue that the fare increases should not be approved UNLESS specific dates (up to three years in the future, if I remember correctly) were established by which these improvements would be installed. Yet the fare increases were improved and no visible system for addressing these issues seems to have been established. We do know that progress is being made in some of these areas. Yet we do not believe that there is any firm schedule for resolving them.

To conclude, we accept NJ TRANSIT's representation of the magnitude of the fiscal crisis. We realize much of the problem is outside of their control or the Legislature's control (e.g., fuel increases in prices, CONRAIL Labor agreements). We do believe that the Legislature has to address the need of adequately funding public transit, given the economic, social, and environmental benefits it brings to New Jersey and that some additional money must be found in this year's budget to minimize the size of fare increases. We also believe that addressing the three issues outlined here will provide some help, both for this year and future years, in meeting NJ TRANSIT's fiscal needs and in providing to NJ TRANSIT a sense of legislative concern about its projects and its plan to improve service and rationalize the system for the riding public.

Sincerely,



Stephen R. Lax

**SPECIAL TRANSPORTATION SERVICES IN NEW JERSEY
for ELDERLY and HANDICAPPED PERSONS***

<u>County</u>	<u>Total No. of Services or Programs</u>	<u>Fare-Free Services or Programs</u>	<u>Number of Vehicles Operated</u>
Atlantic	17	A11	26
Bergen	40	36	104
Burlington	13	A11	39
Camden	24	22	58
Cape May	5	A11	23
Cumberland	7	A11	33
Essex	49	47	166
Gloucester	16	A11	33
Hudson	23	A11	78
Hunterdon	8	A11	36
Mercer	16	13	39
Middlesex	40	A11	128
Monmouth	30	A11	102
Morris	29	A11	64
Ocean	9	A11	30
Passaic	21	20	43
Salem	10	9	15
Somerset	10	A11	71
Sussex	15	A11	37
Union	35	31	82
Warren	<u>10</u>	<u>8</u>	<u>36</u>
Total	432	408	1,243

* Source: Report of the Governor's Task Force on Transportation Services for Elderly and Handicapped Persons, January 1980.

