

PUBLIC HEARING

before

ASSEMBLY TRANSPORTATION AND COMMUNICATIONS COMMITTEE

on

ASSEMBLY, NOS. 992, 1388, 1660 and SENATE, NOS. 523, 1199

(Inadequacies of the New Jersey Subsidy Program)

Held:  
May 5, 1976  
595 Newark Avenue  
Jersey City, New Jersey

MEMBERS OF COMMITTEE PRESENT:

Assemblyman Michael P. Esposito (Chairman)

Assemblyman Robert Burns

Assemblyman John F. Cali

Assemblyman John N. Dennis

Assemblyman C. Gus Rys



ASSEMBLY, No. 992

STATE OF NEW JERSEY

PRE-FILED FOR INTRODUCTION IN THE 1976 SESSION

By Assemblymen GEWERTZ and VAN WAGNER

AN ACT to prohibit competition with subsidized motorbus operations.

1 BE IT ENACTED *by the Senate and General Assembly of the State*  
2 *of New Jersey:*

1 1. For purposes of this act:

2 a. "Motorbus" means "autobus" as defined in R. S. 48:4-1  
3 and includes those autobuses, commonly called jitneys, as defined  
4 in R. S. 48:16-23.

5 b. "Commissioner" means the Commissioner of Transportation;  
6 provided, however, that he may delegate any of his powers or  
7 duties under this act to any subordinate division, agency or  
8 employee of the Department of Transportation.

9 c. "Carrier" means any individual, copartnership, association,  
10 corporation, joint stock company, public agency, trustee or receiver  
11 operating motorbuses on established routes within this State.

1 2. No carrier may operate a motorbus along routes in competi-  
2 tion with another carrier whose operations are subsidized by the  
3 State of New Jersey without the permission of the commissioner.

1 3. The commissioner is hereby authorized to make and issue such  
2 other rules and regulations in accordance with the "Administrative  
3 Procedure Act," P. L. 1968, c. 410 (C. 52:14B-1 et seq.), as he may  
4 deem necessary or appropriate to effectuate the purposes of this  
5 act.

1 4. The commissioner may bring an action to enjoin any motorbus  
2 operations in violation of this act in any court of competent  
3 jurisdiction.

1 5. This act shall not affect any motorbus operation in existence  
2 at the time of passage of this act.

1 6. This act shall take effect immediately.

**STATEMENT**

This bill prevents destructive competition along motor bus routes or segments of routes served by carriers subsidized by the State of New Jersey to insure the continued availability of safe, efficient, and economical bus transportation service along such route at a minimum cost to the State.

ASSEMBLY, No. 1388

STATE OF NEW JERSEY

INTRODUCED FEBRUARY 3, 1976

By Assemblymen WOODSON, VAN WAGNER, BARBOUR,  
PERKINS, KARCHER, PERSKIE, OWENS, GEWERTZ and  
McMANIMON

Referred to Committee on Transportation and Communications

AN ACT concerning mass transportation, authorizing the acquisition of all bus carriers in New Jersey, creating a commission to undertake said acquisitions and to formulate State policy concerning the operation of mass transportation systems and making an appropriation therefor.

1 BE IT ENACTED by the Senate and General Assembly of the State  
2 of New Jersey:

1 1. For the purposes of this act, "bus carrier" means any corpora-  
2 tion operating autobuses, that is any motor vehicle or motor bus  
3 operated over public highways or public places in this State for  
4 the transportation of passengers for hire in intrastate business,  
5 notwithstanding such motor vehicle or motorbus may be used in  
6 interstate commerce.

1 2. The Legislature hereby finds and determines that it is in the  
2 public interest of this State for all bus carriers in New Jersey to  
3 be acquired and operated by a public agency for the benefit of the  
4 people of this State. The Legislature further finds and determines  
5 that the public ownership and operation of bus carriers will best  
6 insure the continuation of essential services on said bus carriers  
7 and the establishment of a fare structure that will be the fairest  
8 and most reasonable for the riders on said bus carriers. In addi-  
9 tion, public ownership and operation will facilitate essential coordi-  
10 nation between those rail services which are operated or financed  
11 by the several public agencies now engaged in providing rail trans-  
12 portation. Such a coordination of facilities is necessary to insure  
13 the protection of the State's substantial investment in rail trans-  
14 portation facilities and to encourage the development of a balanced,  
15 coordinated, mass transportation program most responsive to the  
16 needs of all of the State's citizens.

1 3. There is hereby created the Commission on Coordinated Mass  
2 Transportation Facilities, a temporary commission established for  
3 the purpose of negotiating the terms and conditions for the acqui-  
4 sition of all bus carriers in New Jersey and to otherwise implement  
5 the purposes of this act. The commission shall consist of 12 mem-  
6 bers composed as follows:

7 The Commissioner of Transportation or his designated repre-  
8 sentative, three members to be appointed by the Governor, no  
9 more than two of whom may belong to the same political party  
10 and one of whom shall represent the interest of commuters and  
11 passengers on bus carriers and another who shall represent the  
12 interests of organized labor; four members to be appointed by  
13 the President of the Senate, two of whom shall be Senators and  
14 the remaining two to be members of the general public, said  
15 members to be selected so that not more than one of each group  
16 of two shall be members of the same political party; and four  
17 members to be selected by the Speaker of the General Assembly,  
18 two of whom shall be members of the General Assembly and two  
19 of whom shall represent the general public, said members to be  
20 selected so that not more than one of each group of two shall  
21 belong to the same political party.

22 The members of the commission shall serve for the duration of  
23 this legislation and vacancies shall be filled in the same manner  
24 as the original appointment was made.

1 4. In addition to the purpose set forth in paragraph 2 hereof,  
2 it shall be the duty of the commission to recommend to the  
3 Governor and the Legislature the terms and conditions upon which  
4 the bus carriers shall be acquired by a public agency of this State;  
5 the type and structure of the public agency that should acquire  
6 and operate the bus carriers; whether the responsibility for rail  
7 and bus operations, to the extent that they are publicly operated  
8 or financed, should be vested in a single agency, what effect such  
9 public acquisition should have upon existing franchise taxes and  
10 State and local regulatory laws and such other proposals and  
11 recommendations that will tend to encourage or insure the develop-  
12 ment of the most efficient, balanced, coordinated, mass transporta-  
13 tion network for the State.

1 5. The commission shall meet and organize as soon as may be  
2 after the appointment of its members and shall select a chairman  
2A from among its members and a secretary who need not be a member  
3 of the commission. It shall file its report and recommendations and  
4 any proposed agreements with the Governor and the Legislature  
5 not more than 6 months after the date of its organization.

1 6. The commission shall be entitled to call to its assistance and  
2 avail itself of the services of such employees of any state, county  
3 or municipal department, board, bureau or other governmental  
4 agency for said purpose, and to employ such professional and legal  
5 consultants and stenographic and clerical assistance as it may  
6 require and incur such traveling and other miscellaneous expenses  
7 as it may deem necessary in order to perform its duties and as  
8 may be within the limits of funds appropriated or otherwise made  
9 available to it for said purposes.

1 7. a. The commission is hereby authorized and directed to nego-  
2 tiate an agreement for the acquisition of all bus carriers in the  
3 State of New Jersey by the State but any agreement so negotiated  
4 shall not be in force and effect and binding upon the State until it  
5 shall have been submitted to the Governor and the Legislature for  
6 their approval. At the time that the commission submits any  
7 proposed agreement for the acquisition of all bus carriers it shall  
8 also submit its recommendations concerning the type and structure  
9 of the public agency that should acquire and operate said bus  
10 carriers and such other recommendations as it may have developed  
11 pursuant to the provisions of this act.

12 b. Any proposed agreement for the acquisition of the bus carriers  
13 shall provide, with respect to pension, vacation, health and welfare,  
14 insurance or any other employment benefit previously enjoyed,  
15 whether vested or contingent, by any employee of any bus carrier  
16 that such benefits will be satisfied as they come due, and shall  
17 otherwise be in accord with the provisions of P. L. 1970, c. 306.

1 8. The commission shall have all the powers provided by the  
2 provisions of chapter 13 of Title 52 of the Revised Statutes.

1 9. a. There is hereby appropriated to the commission from the  
2 State Fund the sum of \$150,000.00, or so much thereof as may be  
3 necessary, for the purpose of carrying out its function and duties  
4 pursuant to this act.

5 b. The Commissioner of Transportation is hereby authorized and  
6 directed to reserve from the proceeds of the public transportation  
7 portion of the Transportation Bond Act of 1968 (P. L. 1968, c. 126)  
8 the sum of \$25,000,000.00 which shall remain available to carry  
9 out the purposes of this act and to implement any recommenda-  
10 tions of the commission which shall be approved by the Governor  
11 and the Legislature.

1 10. This act shall take effect immediately but shall become  
2 inoperative 1 year after the effective date hereof.

**STATEMENT**

**This bill authorizes the State to acquire all bus carriers in New Jersey. It reserves \$25,000,000.00 from the Transportation Bond Act of 1968 for this purpose.**

SENATE, No. 523

STATE OF NEW JERSEY

PRE-FILED FOR INTRODUCTION IN THE 1976 SESSION

By Senator HORN

AN ACT concerning mass transportation, authorizing the acquisition of Transport of New Jersey (formerly named Public Service Coordinated Transport) and other bus companies, creating a commission to undertake said acquisitions and to formulate State policy concerning the operation of mass transportation systems and making an appropriation therefor.

1 WHEREAS, The State of New Jersey, by the adoption of the Trans-  
2 portation Act of 1966 (P. L. 1966, c. 301) and the Transportation  
3 Bond Act of 1968 (P. L. 1968, c. 126) and the enactment of other  
4 related measures, has a clear commitment to the preservation and  
5 improvement of mass transportation facilities within the State;  
6 and

7 WHEREAS, Approximately \$100,000,000.00 in public funds have been  
8 expended to establish the Lindenwald Line for the benefit of the  
9 approximately 35,000 daily riders on that system; and

10 WHEREAS, The Port of New York Authority has been authorized to  
11 construct a mass transit facility to Newark Airport at an esti-  
12 mated cost in excess of \$200,000,000.00 for the benefit of the  
13 estimated 10,000 to 20,000 daily riders on that system; and

14 WHEREAS, The Department of Transportation is in the process of  
15 implementing a mass transportation program for commuter  
16 railroads which will require the expenditure of more than  
17 \$350,000,000.00 for the benefit of the 150,000 daily riders on the  
18 commuter rail network; and

19 WHEREAS, The backbone of the mass transportation network within  
20 the State of New Jersey is bus transportation providing services  
21 for approximately 1,200,000 riders daily, nearly nine times as  
22 many as are carried on the entire commuter rail network; and

23 WHEREAS, Transport of New Jersey (formerly named Public Ser-  
24 vice Coordinated Transport) carries approxiately 600,000

25 riders daily on its lines throughout the State, nearly half of the  
26 total bus passenger volume within New Jersey; and

27 WHEREAS, It has been recognized by the Department of Transpor-  
28 tation and others that this major bus company is having increas-  
29 ingly serious financial problems threatening its ability to render  
30 services at a reasonable cost to its many riders; and

31 WHEREAS, The Public Service Electric & Gas Company, the owner  
32 of Transport of New Jersey (formerly named Public Service Co-  
33 ordinated Transport), has publicly indicated its desire and inten-  
34 tion to sell said bus company; and

35 WHEREAS, It is the public interest to insure the preservation of  
36 service on this major bus company at a cost commensurate with  
37 the abilities of its many riders to pay for said vital services; and

38 WHEREAS, It is also essential that the service of this bus company  
39 be coordinated with the services provided by other major public  
40 mass transportation programs operating or scheduled for opera-  
41 tion on the various commuter rail and interstate rail facilities;  
42 now, therefore

1 BE IT ENACTED *by the Senate and General Assembly of the State*  
2 *of New Jersey:*

1 1. The Legislature hereby finds and determines that it is in the  
2 public interest of this State for Transport of New Jersey (formerly  
3 named Public Service Coordinated Transport) to be acquired and  
4 operated by a public agency for the benefit of the people of this  
5 State. The Legislature further finds and determines that the public  
6 ownership and operation of Transport of New Jersey (formerly  
7 named Public Service Coordinated Transport) will best insure the  
8 continuation of essential services on said bus carrier and the estab-  
9 lishment of a fare structure that will be the fairest and most reason-  
10 able for the riders on said bus company. In addition, public owner-  
11 ship and operation will facilitate essential coordination between  
12 those rail services which are operated or financed by the several  
13 public agencies now engaged in providing rail transportation. Such  
14 a coordination of facilities is necessary to insure the protection of  
15 the State's substantial investment in rail transportation facilities  
16 and to encourage the development of a balanced, coordinated, mass  
17 transportation program most responsive to the needs of all of the  
18 State's citizens.

1 2. There is hereby created the Commission on Coordinated Mass  
2 Transportation Facilities, a temporary commission established for  
3 the purpose of negotiating the terms and conditions for the acqui-  
4 sition of Transport of New Jersey (formerly named Public Service  
5 Coordinated Transport) and to otherwise implement the purposes  
6 of this act. The commission shall consist of 12 members composed  
7 as follows:

8 The Commissioner of Transportation or his designated repre-  
9 sentative, three members to be appointed by the Governor, no more  
10 than two of whom may belong to the same political party and one  
11 of whom shall represent the interest of commuters and passengers  
12 on Transport of New Jersey (formerly named Public Service  
13 Coordinated Transport) and another who shall represent the in-  
14 terests of organized labor; four members to be appointed by the  
15 President of the Senate, two of whom shall be Senators and the  
16 remaining two to be members of the general public, said members to  
17 be selected so that not more than one of each group of two shall be  
18 members of the same political party; and four members to be  
19 selected by the Speaker of the General Assembly, two of whom shall  
20 be members of the General Assembly and two of whom shall repre-  
21 sent the general public, said members to be selected so that not more  
22 than one of each group of two shall belong to the same political  
23 party.

24 The members of the commission shall serve for the duration of  
25 this legislation and vacancies shall be filled in the same manner as  
26 the original appointment was made.

1 3. In addition to the purpose set forth in paragraph 2 hereof, it  
2 shall be the duty of the commission to recommend to the Governor  
3 and the Legislature the terms and conditions upon which Transport  
4 of New Jersey (formerly named Public Service Coordinated Trans-  
5 port) shall be acquired by a public agency of this State; the type  
6 and structure of the public agency that should acquire and operate  
7 the Transport of New Jersey (formerly named Public Service Co-  
8 ordinated Transport); whether any other bus companies in addition  
9 to Transport of New Jersey (formerly named Public Service Co-  
10 ordinated Transport) should be publicly acquired and operated;  
11 whether the responsibility for rail and bus operations, to the extent  
12 that they are publicly operated or financed, should be vested in a  
13 single agency, what effect such public acquisition should have upon  
14 existing franchise taxes and State and local regulatory laws and  
15 such other proposals and recommendations that will tend to en-

16 courage or insure the development of the most efficient, balanced,  
17 coordinated, mass transportation network for the State.

1 4. The commission shall meet and organize as soon as may be  
2 after the appointment of its members and shall select a chairman  
3 from among its members and a secretary who need not be a member  
4 of the commission. It shall file its report and recommendations and  
5 any proposed agreements with the Governor and the Legislature  
6 not more than 6 months after the date of its organization.

1 5. The commission shall be entitled to call to its assistance and  
2 avail itself of the services of such employees of any State, county  
3 or municipal department, board, bureau or other governmental  
4 agency for said purpose, and to employ such professional and legal  
5 consultants and stenographic and clerical assistance as it may  
6 require and incur such traveling and other miscellaneous expenses  
7 as it may deem necessary in order to perform its duties and as may  
8 be within the limits of funds appropriated or otherwise made avail-  
9 able to it for said purposes.

1 6. a. The commission is hereby authorized and directed to nego-  
2 tiate an agreement for the acquisition of Transport of New Jersey  
3 (formerly named Public Service Coordinated Transport) by the  
4 State from Public Service Electric & Gas Company but any agree-  
5 ment so negotiated shall not be in force and effect and binding upon  
6 the State until it shall have been submitted to the Governor and the  
7 Legislature for their approval. At the time that the commission  
8 submits any proposed agreement for the acquisition of Transport  
9 of New Jersey (formerly named Public Service Coordinated Trans-  
10 port) it shall also submit its recommendations concerning the type  
11 and structure of the public agency that should acquire and operate  
12 said bus company and such other recommendations as it may have  
13 developed pursuant to the provisions of this act.

14 b. Any proposed agreement for the acquisition of Transport of  
15 New Jersey (formerly named Public Service Coordinated Trans-  
16 port) or any proposal for the acquisition of any other bus company  
17 shall provide, with respect to pension, vacation, health and welfare,  
18 insurance or any other employment benefit previously enjoyed,  
19 whether vested or contingent, by any employee of the Transport of  
20 New Jersey (formerly named Public Service Coordinated Trans-  
21 port) or other bus company that such benefits will be satisfied as  
22 they come due, and shall otherwise be in accord with the provisions  
23 of P. L. 1970, c. 306.

1 7. The commission shall have all the powers provided by the  
2 provisions of chapter 13 of Title 52 of the Revised Statutes.

1 8. a. There is hereby appropriated to the commission from the  
2 State fund the sum of \$150,000.00, or so much thereof as may be  
3 necessary, for the purpose of carrying out its function and duties  
4 pursuant to this act.

5 b. The Commissioner of Transportation is hereby authorized and  
6 directed to reserve from the proceeds of the public transportation  
7 portion of the Transportation Bond Act of 1968 (P. L. 1968, c. 126)  
8 the sum of \$15,000,000.00 which shall remain available to carry out  
9 the purposes of this act and to implement any recommendations of  
10 the commission which shall be approved by the Governor and the  
11 Legislature.

1 9. This act shall take effect immediately but shall become inoper-  
2 ative 1 year after the effective date hereof.



**ASSEMBLY, No. 1660**  

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**STATE OF NEW JERSEY**  

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INTRODUCED MARCH 3, 1976

By Assemblyman BAER

Referred to Committee on Transportation and Communications

AN ACT establishing a commission to study the feasibility and practicability of creating a transportation authority for the preservation and promotion of bus service in this State and making an appropriation therefor.

1 WHEREAS, Comprehensive, efficient, economical, adequate, reliable  
2 and safe bus services are essential to meet the social and economic  
3 needs of the citizens of this State; to prevent the overburdening  
4 of our crowded highways by automobiles; and to conserve our  
5 scarce energy resources; and

6 WHEREAS, Buses provide the sole means of transportation for many  
7 citizens of this State, particularly the aged, the poor and the  
8 young; and

9 WHEREAS, The deteriorating financial condition of many bus com-  
10 panies in this State may ultimately result in the abandonment of  
11 these companies, thereby creating grave inconveniences, disloca-  
12 tions and disruptions in the daily lives of the citizens of this  
13 State; now, therefore

1 BE IT ENACTED *by the Senate and General Assembly of the State*  
2 *of New Jersey:*

1 1. There is hereby established the Bus Authority Study Com-  
2 mission to consist of nine members to be appointed as follows:  
3 three members of the Senate to be appointed by the President of  
4 the Senate, no more than two of whom shall be of the same political  
5 party; three members of the General Assembly to be appointed by  
6 the Speaker of the General Assembly, no more than two of whom  
7 shall be of the same political party; and three members to be  
8 appointed by the Governor, one of whom shall be a member of a  
9 department in the Executive branch, one of whom shall be a member  
10 of the Commuter Operating Agency in the Department of Trans-  
11 portation, and one of whom shall be a representative of a county  
12 board of transportation. Members of the commission shall serve  
13 without compensation but shall be entitled to reimbursement for  
14 expenses incurred in the performance of their duties. Vacancies

15 in the membership of the commission shall be filled in the same  
16 manner as the original appointments were made.

1 2. It shall be the duty of the commission to study the feasibility  
2 and practicability of creating Statewide or regional transporta-  
3 tion authorities to preserve and promote bus services. This study  
4 shall include, but need not be limited to:

5 a. A survey of the existing bus services in this State and an  
6 analysis of the future prospects for such services;

7 b. The powers and responsibilities necessary for an authority to  
8 preserve and promote bus services;

9 c. The general nature, scope and complexity of legal and admin-  
10 istrative problems to be encountered in the acquisition of privately-  
11 owned bus companies by a transportation authority;

12 d. The estimated cost of acquisition, improvement and mainte-  
13 nance of bus services by such an authority.

1 3. The commission shall organize as soon as may be after the  
2 appointment of its members and shall select a chairman from  
3 among its members and a secretary who need not be a member of  
4 the commission.

1 4. The commission shall be entitled to call to its assistance and  
2 avail itself of the services of such employees of any State, county  
3 or municipal department, board, bureau, commission or agency  
4 as it may require and as may be available to it for said purpose,  
5 and to employ such stenographic and clerical assistants and incur  
6 such traveling and other miscellaneous expenses as it may deem  
7 necessary, in order to perform its duties, and as may be within  
8 the limits of funds appropriated or otherwise made available to it  
9 for said purposes.

1 5. The commission shall have all the powers granted pursuant  
2 to chapter 13 of Title 52 of the Revised Statutes.

1 6. The commission may meet and hold hearings at such place  
2 or places as it shall designate during the sessions or recesses of  
3 the Legislature and shall report its findings and recommendations  
4 to the Legislature, accompanying the same with any legislative  
5 bills which it may desire to recommend for adoption by the  
6 Legislature, no later than May 1, 1976.

1 7. There is hereby appropriated to the commission from the  
2 State General Fund the sum of \$100,000.00 to effectuate the pur-  
3 poses of this act.

1 8. This act shall take effect immediately.

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#### STATEMENT

This bill establishes a commission to study the feasibility and  
practicability of creating an authority to preserve and promote  
bus services. The bill appropriates \$100,000.00 to the commission  
for its study.

SENATE, No. 1199

STATE OF NEW JERSEY

INTRODUCED FEBRUARY 19, 1976

By Senator DODD

Referred to Committee on Transportation and Communications

AN ACT concerning bus services; establishing the Bus Services Administration Board in the Department of Transportation; transferring the functions, powers and duties of the Board of Public Utility Commissioners with respect to buses to the Department of Transportation; amending sections 15, 24 and 25 of P. L. 1966, c. 301 and R. S. 39:3-19; and repealing section 19 of P. L. 1966, c. 301 and P. L. 1969, c. 134.

1 BE IT ENACTED *by the Senate and General Assembly of the State*  
2 *of New Jersey:*

1 1. This act shall be known and may be cited as the "Bus Services  
2 Reorganization Act."

1 2. The Legislature declares and finds:

2 a. That it is in the public interest to provide for the maintenance  
3 and improvement of bus services in this State in order to foster the  
4 social and economic welfare of our citizens, to promote personal  
5 mobility, to assist in the development of orderly land use patterns,  
6 to encourage community development, to conserve energy, improve  
7 air quality and enhance the natural environment, to reduce con-  
8 gestion and improve safety on our highways, and to reduce the  
9 cost of construction and maintenance of highway facilities;

10 b. That at present more than 1.2 million passengers utilize bus  
11 services in this State each day, and that buses provide the only  
12 available means of transportation for certain segments of our  
13 citizens, most notably the poor, the elderly, the young and the  
14 handicapped;

15 c. That despite massive infusions of State aid to private bus  
16 carriers, totaling over \$100 million since the initiation of a subsidy  
17 program in 1969, bus services have continued to decline and de-  
18 teriorate while fares have increased at alarming rates, thereby

**EXPLANATION**—Matter enclosed in bold-faced brackets [thus] in the above bill  
is not enacted and is intended to be omitted in the law.

19 creating tremendous hardships, inconveniences and disruptions in  
20 the daily lives of many of our citizens;

21 d. That the present subsidy system, originally designed as a  
22 temporary stop-gap measure, offers no incentives to bus carriers  
23 to improve and expand services, and that studies by both the Office  
24 of Fiscal Affairs and a consultant to the Department of Trans-  
25 portation have found severe deficiencies and inadequacies in the  
26 operation of the subsidy program; and

27 e. That a reorganization of the present methods for the planning,  
28 allocation and support of bus services is an urgent necessity in  
29 order to eliminate or alleviate present transportation problems  
30 and to insure the orderly and continuing development of compre-  
31 hensive, economical, reliable, safe and convenient bus services.

1 3. As used in this act, unless otherwise indicated by the context:

2 a. "Board" means the Bus Services Administration Board es-  
3 tablished by this act;

4 b. "Bus" means any motor vehicle or motorbus operated over  
5 public highways or public places for the transportation of passen-  
6 gers for hire in intrastate business, notwithstanding such motor  
7 vehicle or motorbus may be used in interstate commerce.

8 Nothing contained herein shall be construed to include:

9 (1) Vehicles engaged in the transportation of passengers for hire  
10 in the manner and form commonly called taxicab service unless  
11 such service becomes or is held out to be regular service between  
12 stated termini;

13 (2) Hotel buses used exclusively for the transportation of hotel  
14 patrons to or from local railroad or other common carrier stations  
15 including local airport;

16 (3) Buses operated for the transportation of enrolled children  
17 and adults only when serving as chaperons to or from a school,  
18 school connected activity, day camp, summer day camp, nursery  
19 school, child care center, preschool center or other similar places  
20 of education, including "School Vehicle Type I" and "School  
21 Vehicle Type II" as defined in R. S. 39:1-1.

22 c. "Charter bus operation" means and includes the operation  
23 of a bus or buses by the person owning or leasing such bus or buses  
24 pursuant to a contract agreement or arrangement to furnish a bus  
25 or buses and a driver or drivers thereof to a person, group of  
26 persons or organization (corporate or otherwise) for a trip desig-  
27 nated by such person, group of persons or organization for a fixed  
28 charge per trip, per bus or per mile.

29 d. "Special bus operation" means and includes the operation  
30 by the owner or lessee of a bus or buses for the purpose of carry-  
31 ing passengers for hire, each passenger paying a fixed charge for  
32 his carriage, on a special trip arranged and designated by such  
33 owner or lessee, which fixed charge may or may not include meals,  
34 lodging, entertainment or other charges.

1 4. a. There is hereby established in the Department of Trans-  
2 portation the Bus Services Administration Board, which shall  
3 consist of the following five members: the Commissioner of  
4 Transportation, as chairman; the Assistant Commissioner of Pub-  
5 lic Transportation, as secretary; the State Treasurer; the Com-  
6 missioner of Labor and Industry; and the Commissioner of  
7 Community Affairs; or their respective designees.

8 b. The Commissioner of Transportation shall assign the Director  
9 and employees of the Division of Commuter Services to assist the  
10 board in the performance of its duties under the supervision of  
11 the Assistant Commissioner for Public Transportation.

12 c. The powers of the board shall be vested in the members  
13 thereof and three members of the board or their designees shall  
14 constitute a quorum at any meeting thereof. Action may be taken  
15 and motions and resolutions adopted by the board at any meeting  
16 thereof by the affirmative vote of at least three members or their  
17 designees. No vacancy in the membership of the board shall im-  
18 pair the right of a quorum to exercise all the rights and perform  
19 all the duties of the board.

20 d. A true copy of the minutes of every meeting of the board shall  
21 be delivered forthwith by and under the certification of the secre-  
22 tary thereof, to the Governor. No action taken at such meeting  
23 by the board shall have force or effect until 10 days, exclusive of  
24 Saturdays, Sundays and legal holidays, after such copy of the  
25 minutes shall have been delivered. If, in said 10-day period, the  
26 Governor returns such copy of the minutes with veto of any action  
27 taken by the board at such meeting, such action shall be null and  
28 of no effect.

1 5. Within 180 days after enactment of this act the board shall  
2 adopt and release a preliminary bus services plan prepared by it  
3 on the basis of its own investigations, consultations, research,  
4 evaluation and analysis, and on the basis of reports and other  
5 information submitted to it by the general public and interested  
6 parties including, but not necessarily limited to, local, State and  
7 Federal governmental officials, planning agencies, transportation  
8 authorities, private transportation carriers, representatives of  
9 commerce and industry and members of social, civic and com-  
10 munity organizations.

11 The board shall provide for the widespread dissemination of  
12 the preliminary plan to governmental officials, libraries, interested  
13 parties and the general public. The board may charge a nominal  
14 fee for printing and distribution costs for copies made available  
15 to the general public and any nongovernmental party.

16 The board may undertake any other methods to promote public  
17 awareness of the preliminary plan including, but not limited to,  
18 newspaper advertisements, public information meetings, and in-  
19 formational pamphlets.

1 6. Within 90 days following the adoption and release of the  
2 preliminary bus services plan the board shall commence a series  
3 of public hearings in various locations throughout the State to  
4 receive comments from all interested parties concerning such plan.  
5 Notice of each hearing shall be published in at least one daily or  
6 weekly newspaper circulating in the area in which such hearing  
7 will be held no later than 10 days prior to the hearing. At least  
8 one session of each hearing shall be held during the evening hours.

1 7. a. Within 90 days following the conclusion of the public  
2 hearing described in section 6, the board shall adopt and release  
3 a final bus services plan.

4 b. The final bus services plan may be amended by the board  
5 from time to time, provided that such amendments are publicized  
6 in the same manner as the preliminary bus services plan described  
7 in section 5, and further provided that public hearings on such  
8 amendments are held no later than 30 days prior to the final adop-  
9 tion of such amendments in the same manner as the public hearings  
10 concerning the preliminary bus services plan described in section 6.

1 8. The final bus services plan shall be formulated in such a way  
2 as to effectuate the following goals:

3 a. The designation of a comprehensive and integrated bus net-  
4 work, including desirable levels of service, comprised of those  
5 route elements described in section 9;

6 b. The delivery of accessible, safe, comfortable, convenient, effi-  
7 cient, economical and reliable bus services to all segments of our  
8 society and all geographical areas of the State;

9 c. The provision of special bus services to those segments of  
10 society most dependent on public transportation, such as the elderly,  
11 handicapped, poor and young;

12 d. The attraction of increased patronage for bus services through  
13 the continuing expansion and improvement of such services and  
14 the development and application of modern marketing and pro-  
15 motional techniques;

16 e. The provision of bus services that will reduce highway con-  
17 gestion, promote highway safety, diminish or obviate the need for  
18 additional highway construction, conserve energy, improve air  
19 quality, enhance the natural environment, reduce the travel time  
20 and cost per trip, and encourage orderly land use and community  
21 development;

22 f. The promotion of competition among private bus carriers as  
23 an incentive for the improvement and expansion of bus services;

24 g. The coordination of routes, schedules and fares to promote  
25 convenient and accessible low-cost transfers between bus services,  
26 or between bus services and other modes of transportation;

27 h. The development of experimental, nonroute specific or special  
28 bus services for the purposes specified in section 17.

1 9. The final bus service plan shall designate a comprehensive  
2 and integrated bus network, including desirable levels of service,  
3 composed of the following elements:

4 a. A primary system of bus routes linking the State's principal  
5 urban areas;

6 b. A secondary system of bus routes linking suburban and rural  
7 areas to the principal urban centers;

8 c. A local system of bus routes located wholly within one or  
9 more municipalities or counties;

10 d. An interstate system of bus routes linking urban and major  
11 residential areas to New York and Philadelphia;

12 e. An arterial extension system of bus routes linking urban and  
13 major residential areas with major traffic generators such as in-  
14 dustrial and employment centers, cultural and athletic complexes,  
15 resorts and amusement areas, shopping centers and transportation  
16 terminals.

1 10. Within 90 days following the adoption by the board of the  
2 final bus services plan and thereafter no later than 30 days prior to  
3 the expiration of each contract, the board shall advertise and award  
4 contracts for the provision of bus services on the routes designated  
5 in the bus services plan in accordance with the contract award  
6 provisions of this act. No bus carrier shall operate any regular  
7 service for the carrying of passengers for hire within this State  
8 or between points in this State and points in adjacent states unless  
9 such a contract is in force with respect to such service; provided,  
10 however, that the board may permit the continuance of any service  
11 authorized by any franchise or contract awarded to a carrier by  
12 any governmental entity prior to the effective date of this act,  
13 under the same terms and conditions as shall have been specified

14 by such franchise or contract, for a period of not more than 1 year  
15 following the adoption of the final services plan. Such continuance  
16 shall be permitted by the board only where it is necessary or de-  
17 sirable in order to insure an orderly and timely transition in the  
18 administration and operation of bus services with a minimum of  
19 inconvenience to the public.

1 11. The board shall advertise for bids for each contract proposed  
2 to be awarded, specifying any service variables as described in  
3 section 15, in such manner as will best give notice to bidders and  
4 sufficiently in advance of the proposed date of the award of the  
5 contract to promote competitive bidding. Such notice shall desig-  
6 nate the time and place when and where sealed proposals shall be  
7 received and publicly opened and read and such other terms as the  
8 board may deem proper. The contract shall be awarded with rea-  
9 sonable promptness by written notice to that qualified bidder whose  
10 bid most satisfactorily conforms to the award criteria determined  
11 in advance by the board. Any or all bids may be rejected by the  
12 board.

1 12. The board shall require every carrier proposing to submit  
2 bids to furnish such information concerning its finances, insurance,  
3 buses, equipment, terminal and garage facilities, organization,  
4 ownership, prior operating experience and such other pertinent  
5 and material facts as the board may determine. The board shall  
6 classify all such carriers as to the nature of the services on which  
7 they shall be qualified to submit bids, and bids shall be accepted  
8 only from carriers qualified in accordance with such classification.

1 13. Bids may be submitted jointly by any two or more carriers  
2 proposing to provide any bus services as a joint venture; provided,  
3 however, that no carrier owning or operating more than 200 buses  
4 may submit a bid jointly with any other carrier.

1 14. Every route designated in the final bus services plan shall  
2 be the subject of a separate contract, except that the board may  
3 include in one contract two or more routes in the same geographical  
4 area whenever it shall determine that the public interest would be  
5 more effectively and efficiently served by awarding a contract for  
6 multiple routes.

1 15. Every bid for a contract shall be on the basis of any or all  
2 of the following service variables, as the board, in its discretion,  
3 shall determine and advertise in advance:

- 4 a. The schedule of operations and frequency of service;
- 5 b. The specific route or routes and locations for the picking up  
6 and discharging of passengers;
- 7 c. The fare structure;

8 d. The number of buses and the type, physical condition and  
9 special equipment, such as air conditioning and provisions for  
10 handicapped persons, if each bus to be engaged in the provision  
11 of the service;

12 e. The nature of the carrier's promotional and marketing tech-  
13 niques designed to encourage and attract patronage;

14 f. The criteria, method of payment and amount of subsidies if  
15 any, payable by the board to the carrier;

16 g. The leasing of any buses, capital equipment or facilities by  
17 the board to the carrier, including any buses, equipment or facili-  
18 ties purchased from the carrier and rehabilitated by the board.

1 16. In addition to any such variables, every contract shall also  
2 include the following items:

3 a. The duration of the contract period; provided, however, that  
4 no contract period shall exceed 2 years;

5 b. The amount of insurance coverage which the carrier must  
6 maintain;

7 c. The data which the carrier must provide to the board con-  
8 cerning its service, including, but not necessarily limited to, weekly  
9 reports on the number of trips, on-time performance, daily number  
10 of total passengers, daily number of reduced-fare passengers such  
11 as senior citizens, handicapped persons and students, daily num-  
12 ber of vehicle miles per bus, daily operating cost and revenue per  
13 mile of operation, average subsidy per rider, if any, and physical  
14 condition of its buses;

15 d. Such provisions for the assessment of penalties against the  
16 carrier as the board may determine for failure of the carrier to  
17 meet its contract obligations;

18 e. Procedures for the determination of contracted service satis-  
19 factorily operated, and for the auditing and settlement of any  
20 subsidy payments;

21 f. Such provisions as may be necessary to provide for the ad-  
22 ministration of statutes heretofore enacted concerning reduced  
23 fares for senior citizens, handicapped citizens and students;

24 g. Any general operating procedures which the board may re-  
25 quire the carrier to adopt;

26 h. Any other matter which the board shall deem essential, neces-  
27 sary or desirable for the provision of service in accordance with  
28 the purposes of this act.

1 17. In addition to the awarding of contracts for services in  
2 accordance with the routes designated in the final bus services  
3 plan, the board may advertise and award contracts for bus services

4 of an experimental, nonroute specific, or special nature which are  
5 designed either to demonstrate alternative methods for the delivery  
6 of bus services or to provide for bus services which can not other-  
7 wise be provided within the framework of the network designated  
8 in the final bus services plan.

1 18. Any municipality or county, or any two or more contiguous  
2 municipalities or counties, may operate or contract for the opera-  
3 tion of any bus service wholly within such municipality or county,  
4 or municipalities or counties, other than a bus service designated  
5 in the final bus services plan, upon such terms and conditions as  
6 the municipality or county, or municipalities or counties, shall  
7 determine.

1 19. In order to carry out the objectives of this act, the board may:

2 a. Make whatever reasonable rules and regulations it may deem  
3 necessary which shall have the force and effect of law;

4 b. Investigate any matters concerning any carrier under con-  
5 tract to the board and in aid of such investigation the board shall  
6 have access to and the carrier shall make available its property,  
7 books, records, or documents;

8 c. Call to its assistance and avail itself of the services of such  
9 employees of any Federal or State department or agency as it may  
10 require and as may be available to it for said purpose;

11 d. Have the power to receive and expend money from any Fed-  
12 eral or State agency or instrumentality and from any private  
13 sources, in addition to the money appropriated by the Legislature;  
14 and as may be necessary for that purpose to enter into agreements  
15 with any person whatever, including but not limited to bus com-  
16 panies, governmental agencies or political entities;

17 e. Designate assistants to conduct hearings;

18 f. Acquire, purchase, rehabilitate, lease as lessee, or hold and  
19 dispose of buses, capital equipment and facilities and any other  
20 real and personal property or any interest therein, in the exercise  
21 of its powers and the performance of its duties under this act;

22 g. Enter into any and all agreements or contracts, execute any  
23 and all instruments, and do and perform any and all acts or things  
24 necessary, convenient or desirable for the purposes of the board  
25 or to carry out any power expressly given in this act.

1 20. The functions, powers and duties of the Board of Public  
2 Utility Commissioners with respect to the general supervision and  
3 regulation of and jurisdiction and control over autobuses, charter  
4 buses and special buses pursuant to the provisions of chapters 2, 3  
5 and 4 of Title 48 of the Revised Statutes are transferred to and  
6 shall be exercised and performed by the Commissioner and Depart-  
7 ment of Transportation.

1 21. The transfer directed by this act shall be made pursuant to  
2 the "State Agency Transfer Act," P. L. 1971, c. 375 (C. 52:14D-1  
3 et seq.).

1 22. Section 15 of P. L. 1966, c. 301 (C. 27:1A-15) is amended to  
2 read as follows:

3 15. Hereafter in this act, unless the context indicates another  
4 or different meaning or intent:

5 (a) "Carrier" shall mean any individual, copartnership, asso-  
6 ciation, corporation, joint stock company, receiver or trustee  
7 operating any railroad [or motor bus] in this State or between  
8 points in this State and between points in other states, for public  
9 use;

10 (b) "Agency" shall mean the Commuter Operating Agency;

11 (c) "Passenger service" shall mean the operation of railroad  
12 trains to carry commuter and other passengers in this State or  
13 between points in this State and between points in other states[, or  
14 the operation of motor buses to transport passengers in this State  
15 or between points in this State and points in adjacent states];

16 (d) "Improvements to capital facilities" shall mean in connec-  
17 tion with passenger service the acquisition, construction, recon-  
18 struction, relocation, removal, establishment or rehabilitation of  
19 passenger stations and terminals, automobile parking facilities,  
20 track connections, signal systems, power systems, roadbeds, equip-  
21 ment storage and servicing facilities, bridges, grade crossings,  
22 railroad passenger cars, and locomotives [and motor buses],  
23 wherever such improvements are included in determinations filed  
24 as required by section 17 of this act.

1 23. Section 24 of P. L. 1966, c. 301 (C. 27:1A-24) is amended to  
2 read as follows:

3 24. Every carrier or carriers entering into a contract shall be  
4 obligated to continue during the term of the contract all existing  
5 passenger service and fares applicable thereto, determined by the  
6 agency to be essential, except that the contract shall afford the  
7 carrier the right to petition the agency or the agency to move on  
8 its own motion for changes in passenger service, including ex-  
9 tension, enlargement, curtailment or abandonment in whole or in  
10 part and applicable fares during the term of the contract. If such  
11 a petition includes an application to decrease the number of trains  
12 [or buses], a substantial change in schedules or an increase in fares,  
13 the agency, prior to making any determination with respect thereto,  
14 shall hold a public hearing on notice. In acting on any such petition  
15 the agency shall give due consideration to the following factors:

16 (a) The availability of alternative means of public transporta-  
17 tion.

18 (b) The potential cost of continuing the service sought to be  
19 curtailed or discontinued.

20 (c) The cost to the State of providing alternative transportation  
21 facilities either by common carriers or highway improvement.

22 (d) The resulting effect on State and local population trends,  
23 economic values and tax revenues.

24 The authority hereby given the agency with respect to the dis-  
25 continuance, curtailment, abandonment or change in fares or ser-  
26 vice shall be exercised during the contract period without regard  
27 or reference to the jurisdiction vested in the Board of Public Utility  
28 Commissioners by sections 48:2-21[,] and 48:2-24 [and 48:4-3]  
29 of the Revised Statutes. At the conclusion of the contract period  
30 the Board of Public Utility Commissioners shall resume such juris-  
31 diction but no carrier shall be required to restore any service dis-  
32 continued or fare changed unless the Board of Public Utility  
33 Commissioners shall determine, after notice and hearing, that the  
34 service or fare is required by public convenience and necessity.

35 [Notwithstanding any other provisions of this act, all vehicles  
36 used by any motor bus carrier pursuant to contract authorized by  
37 this section shall be subject to the jurisdiction of the Board of  
38 Public Utility Commissioners with respect to insurance, mainte-  
39 nance, specifications and safety to the same extent such jurisdiction  
40 is conferred upon by the board by Title 48, Public Utilities, as  
41 amended and supplemented.]

1 24. Section 25 of P. L. 1966, c. 301 (C. 27:1A-25) is amended to  
2 read as follows:

3 25. In order to carry out the objectives of this act, the agency  
4 may:

5 (a) Make whatever reasonable rules and regulations it may deem  
6 necessary which shall have the force and effect of law;

7 (b) Investigate any matters concerning any carrier under con-  
8 tract to the agency and in aid of such investigation the agency shall  
9 have access to and the carrier shall make available its property,  
10 books, records, or documents;

11 (c) Call to its assistance and avail itself of the services of such  
12 employees of any Federal or State department or agency as it may  
13 require and as may be available to it for said purpose.

14 (d) Have the power to receive and expend money from any  
15 Federal or State agency or instrumentality and from any private  
16 sources, in addition to the money appropriated by the Legislature;

17 and as may be necessary for that purpose to enter into agreements  
 18 with any person whatever, including but not limited to railroads,  
 19 **motor bus companies,** governmental agencies or political entities;

20 (e) Designate assistants to conduct hearings;

21 (f) Acquire in the name of the State by purchase or otherwise,  
 22 on such terms and conditions and in such manner as it may deem  
 23 proper, or by the exercise of the power of eminent domain, any land  
 24 or interest therein and other property which it may determine is  
 25 reasonably necessary for any project, including any lands held by  
 26 any county, municipality or other governmental subdivision of the  
 27 State; and to hold and use the same and to sell, convey, lease or  
 28 otherwise dispose of property so acquired, no longer necessary for  
 29 the agency's purposes;

30 (g) Acquire, lease as lessee, hold and dispose of real and per-  
 31 sonal property or any interest therein, in the exercise of its powers  
 32 and the performance of its duties under this act;

33 (h) Enter into any and all agreements or contracts, execute any  
 34 and all instruments, and do and perform any and all acts or things  
 35 necessary, convenient or desirable for the purposes of the agency  
 36 or to carry out any power expressly given in this act.

1 25. R. S. 39:3-19 is amended to read as follows:

2 39:3-19. For each vehicle used as an omnibus for the transpor-  
 3 tation of passengers for hire, *and for each bus used exclusively*  
 4 *for special or charter bus operations*, the applicant for the regis-  
 5 tration thereof shall pay an annual fee as follows:

6 \$30.00 for each vehicle having a seating capacity of 18 passengers  
 7 or less;

8 \$48.00 for each vehicle having a seating capacity of not less than  
 9 19 nor more than 30 passengers;

10 \$48.00 for vehicles having a seating capacity of more than 30  
 11 passengers and an additional fee of \$3.00 for each passenger  
 12 measured by the seating capacity in excess of 30 passengers.

13 **Whenever the number of regular route passengers carried by an**  
 14 **applicant in the previous calendar year represents 75% or more**  
 15 **of the combined number of passengers carried on regular route,**  
 16 **special and charter operations during that year, then such applicant**  
 17 **shall pay \$10.00 per annum for the registration of each vehicle used**  
 18 **as an omnibus for the transportation of passengers for hire in lieu**  
 19 **of the annual fees hereinbefore prescribed. In addition, a] Any**  
 20 **applicant who is operating regular route bus service under a con-**  
 21 **tract with the [Commuter Operating Agency pursuant to P. L. 1966,**  
 22 **c. 301,] Bus Services Administration Board shall pay \$10.00 per**

23 annum for the registration of each vehicle used [as an omnibus  
 24 for the transportation of passengers for hire in lieu of the annual  
 25 fees hereinbefore prescribed and without regard to the aforemen-  
 26 tioned 75% requirement].

27 [Applicants seeking to register a vehicle for the reduced fee shall  
 28 first obtain a letter from the Board of Public Utility Commissioners  
 29 certifying that the number of regular route passengers carried by  
 30 the applicant in the previous calendar year represents 75% or more  
 31 of the combined number of passengers carried on regular route,  
 32 special and charter operations during that year, or in the case of]  
 33 [a] Applicants operating under contract with the [Commuter Op-  
 34 erating Agency pursuant to P. L. 1966, c. 301] *Bus Services Ad-*  
 35 *ministration Board* shall obtain a letter certifying that they are  
 36 under such a contract [from the Commuter Operating Agency].  
 37 Applicants shall present the appropriate letters of certification with  
 38 their applications for omnibus registration to the Director of the  
 39 Division of Motor Vehicles

40 The director shall provide identification marks of the general  
 41 style and kind provided for motor vehicle registrations, assigning  
 42 a number to each identification mark, and before each number the  
 43 letter "O" shall be placed.

44 Every applicant for omnibus registration shall make application,  
 45 setting forth the fact that he is in the business of transporting pas-  
 46 sengers for hire; and the director, if satisfied of the correctness of  
 47 the statements made in such application, may issue a registration  
 48 certificate for omnibus license.

49 Nothing in this section shall prohibit the use by an omnibus  
 50 operator of any automobile duly licensed by him as owner.

1 26. Section 19 of P. L. 1966, c. 301 (C. 27:1A-19) and P. L. 1969,  
 2 c. 134 (C. 27:1A-28.1 et seq.) are repealed.

1 27. This act shall take effect immediately.

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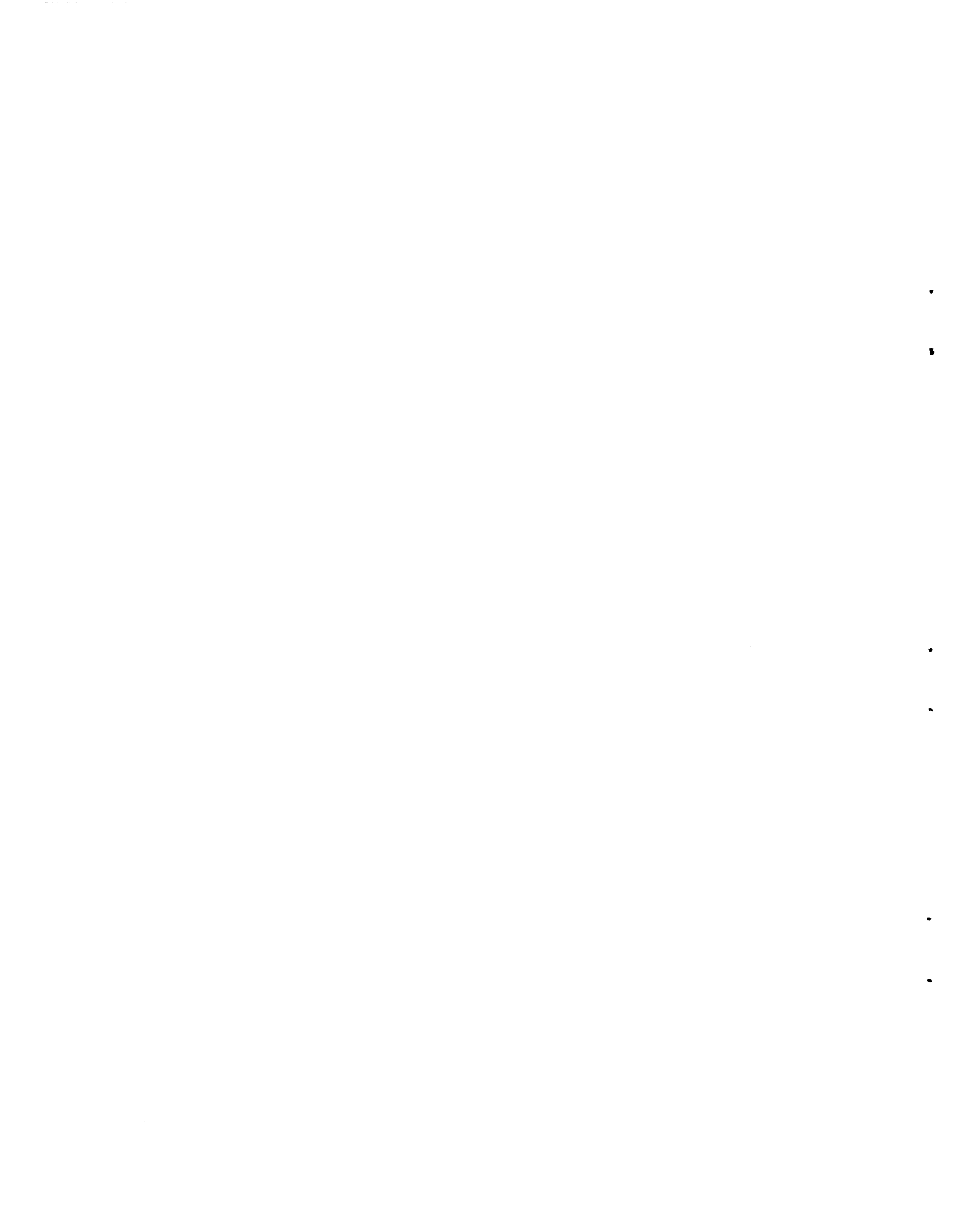
#### STATEMENT

This bill provides for the reorganization of the administration and delivery of bus services in this State. At present the State maintains a costly subsidy of deteriorating bus services which do not adequately meet the transportation needs of our citizens, which at times operate in competition with nonsubsidized services, and whose administration is divided between the Board of Public Utility Commissioners and the Department of Transportation. This bill establishes a program of competitive bidding for bus routes which are to be delineated in a Statewide bus services plan developed by

a new Bus Services Administration Board in the Department of Transportation.

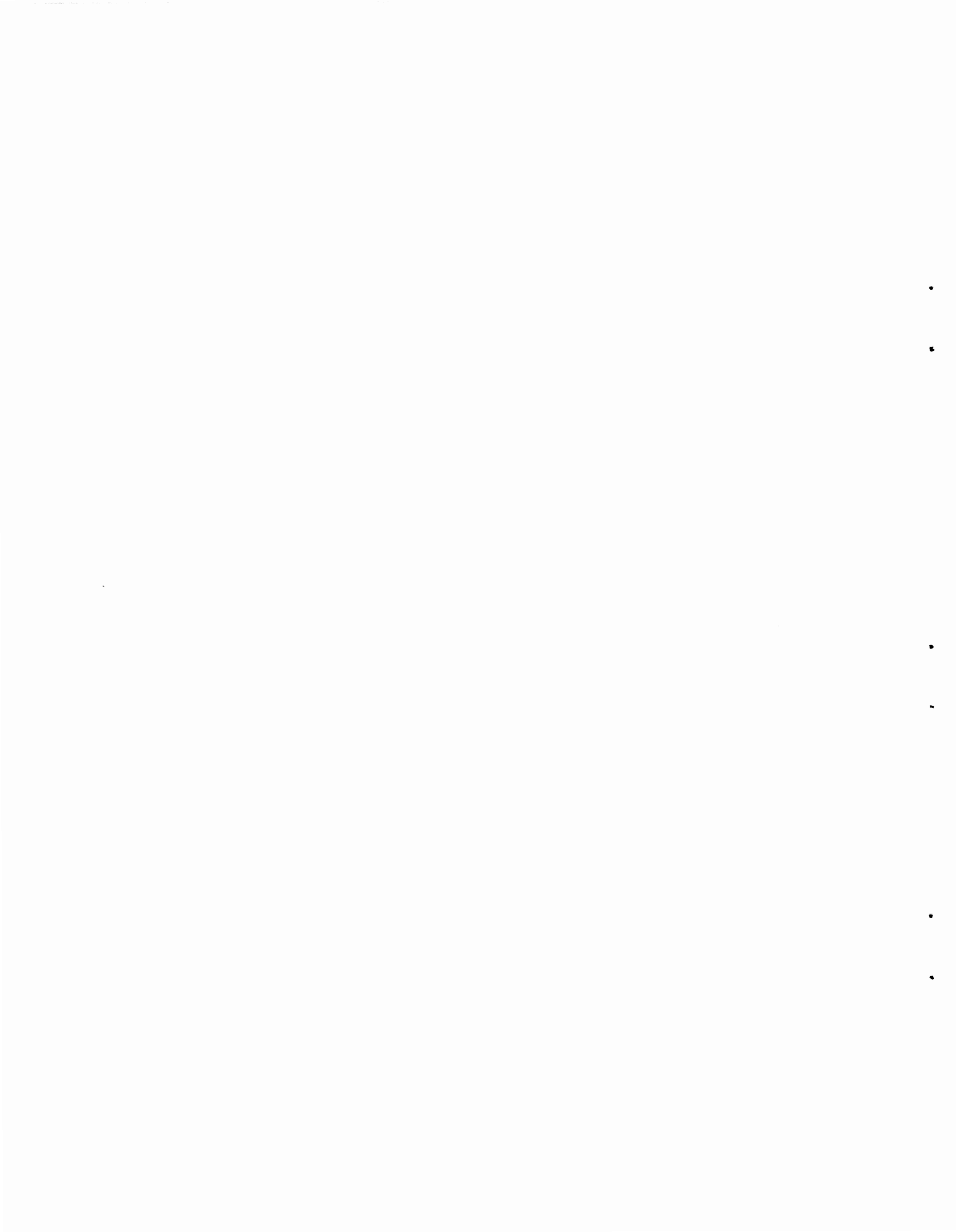
Under the terms of the proposed legislation, bus companies would bid for contracts to provide service on the basis of such items as the fare structure, scheduling, or amount of subsidy required from the State. Smaller bus companies would be permitted to enter joint bids. Counties and municipalities would be permitted to contract for bus services on routes not included in the bus services plan.

The bill provides for involvement of local governmental units, planning agencies, transportation companies and authorities and citizens in the development of the bus service plan, and establishes certain goals and criteria which must be met in the design of the plan and the awarding of contracts to bus carriers.



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ASSEMBLYMAN MICHAEL P. ESPOSITO (Chairman): May I have your attention, please? The public hearing of the Assembly Transportation and Communications Committee will now come to order. Mr. Gus Rys, the senior member of the Transportation Committee, will open the meeting with a salute to the flag. Will you all please rise?

(Salute to Flag)

First, I would like to introduce the members of the Assembly Transportation and Communications Committee. On my extreme left is Assemblyman John Cali from Kearny, New Jersey, Vice Chairman of the Committee. On my immediate right is Robert Burns, Assemblyman from Bergen County. Also, on my right is Assemblyman Gus Rys from Bergen County. And sitting next to me is our most capable staff member, Larry Gurman.

The purpose of today's public hearing is to gather information on inefficiencies and inadequacies in the present New Jersey Bus Subsidy Program and to consider pending legislation to correct them.

The Bus Subsidy Program, established in 1969, now costs New Jersey taxpayers \$44 million, with no end in sight. It is the duty of our committee to protect the welfare of the New Jersey commuters who use buses, while eliminating the kinds of inefficiencies that have plagued the program since its inception.

We the committee want to know how some unsubsidized buses can operate at a profit, while offering better service at lower fares than subsidized lines can. We have an obligation to provide our commuters with the best possible service we can afford.

Today we expect to gather information that would help us design legislation to eliminate the inefficiency, the waste, and duplication of service which exists under the present structure.

During the course of the public hearing the following bills will be considered: A-992, Assemblyman Gewertz's bill which prohibits certain competition with subsidized motor bus operations; A-1388, Assemblyman Woodson's bill which authorizes the State to acquire all bus carriers in the State; A-1660, Assemblyman Baer's bill which establishes a Bus Authority Study Commission. In addition, the committee will entertain consideration of other proposals dealing with the improvement of the Bus Subsidy Program.

Please note that the following bills have been introduced in the Senate: S-523, by Senator Horn, creates a commission to coordinate mass transportation facilities, to negotiate and recommend the terms and conditions for the acquisition of Transport of New Jersey and other bus companies by the State; S-1199, Senator Dodd's bill, designated the Bus Services Reorganization Act, establishes a Bus Service Administration Board in the Department of Transportation, transferring the functions, power, and duties of the Board of Public Utilities Commission with respect to buses and establishes a program of competitive bidding for bus routes.

We will follow the usual procedure for a Legislative Hearing. If a witness has a prepared statement, please make copies available to all members of the Committee. Prepared statements need not be read in full. Witnesses may request that they be made part of the record for consideration by this Committee.

After each witness has made his statement, the committee members may ask questions. We trust that each question will be answered in full to the best ability of the witness. No questions from the audience will be permitted.

I have a list of those persons who have asked to testify. If there is anyone else who wishes to testify and has not previously indicated that he wants to testify, please come forward and put your full name and the organization that you represent on the roster.

I will ask that as each witness testifies, he take the seat in the front here,

speak clearly, give his name, position, or the title of the organization he represents.

We have invited many witnesses who have a complete knowledge and expertise in the bus transportation field and who will testify at our hearing this morning and this afternoon.

We are certain that their testimony will be helpful and productive. A public record will be made of all the testimony given here today. It will be carefully scrutinized and reviewed by this committee. A report and recommendation on our findings will be presented in the near future.

I will ask for the first witness this morning, our Jersey City Councilman Morris Pesin who, incidentally, is also Chairman of the Hudson County Transportation Committee, and also Mr. Robert Morley. Are you going to testify together, Mr. Morley?

(affirmative answer)

M O R R I S P E S I N: I am Morris Pesin, Councilman of Jersey City, Chairman of its Transit Committee--

ASSEMBLYMAN ESPOSITO: Excuse me, Mr. Pesin.

MR. PESIN: Yes.

ASSEMBLYMAN ESPOSITO: I just remembered, I am going to call on Joel Jacobson.

MR. PESIN: Oh, yes. Fine.

ASSEMBLYMAN ESPOSITO: Joel Jacobson, President of the Public Utilities Commission.

I am sorry, Mr. Peson. Joel has a previous commitment. He has to get out of here in a hurry.

MR. PESIN: That's all right.

J O E L J A C O B S O N: Thank you, Mr. Chairman. Chairman Esposito, Mr. Rys, Mr. Cali, Mr. Burns: I want to thank you very much for this opportunity to be here, particularly for this chance to appear first. I want to apologize to Mr. Pesin. I do have an important meeting back in my office at 11:00 and I hope to get there - not too late. I appreciate your putting me in out of order.

May I commend this committee for its wise decision to hold these hearings. As you well know, and as we well know, this is a most complex subject. It requires careful, judicious thought as to how we should proceed and I suspect the tenor of a committee hearing, such as this, is a much more intelligent way to approach the problem than to involve ourselves in heated, political debate on the floor of the Legislature. I am hopeful that your committee will be able to resolve these difficult problems and whatever offer of assistance the PUC can present, we, of course, are available to you.

Part of the problem is the fact that we have a two-tier system of regulation. As you know, the Public Utility Commission has traditionally been charged with the responsibility of providing for safety on all common carriers throughout the State. This is still our responsibility.

In recent years, with the advent of the Commuter Operating Agency, what was normally a function of the PUC - scheduling and rates - has been taken away from the PUC and, of course, given to the Commuter Operating Agency.

If you think we are confused about it, just imagine how the operators of the bus companies must feel when they are not quite sure to whom they must go for a particular redress of grievances, or just who is or is not regulating them.

To give you an example of the complexity of the problem, the Public Utility Commission has under its jurisdiction, 219 autobus utilities, who run 416 routes, which include 20 limousine routes. If you eliminate the limousine routes, we have 396 bus routes under our jurisdiction.

Transport of New Jersey, which is under the jurisdiction of the COA, has 177

routes. That means that of the remaining 218 routes - 218 utilities - they are operating 219 routes, but it is not a one-on-one situation. In South Orange - my own home town of South Orange, for example - the 31 line has 11 buses operating on that line. On North Hudson Boulevard, we have 15 buses operating. It is a most confusing situation.

We have looked over, carefully, the legislation that is being considered by you, Mr. Chairman and members of the committee, and we are giving it the exhaustive analysis that it does require, primarily because we did have the time to do so. I have a gut reaction that I would like to offer to you. It is my opinion that the legislation under consideration here today by your committee does not fulfill the obligations that the State should be meeting.

I suspect that most of these bills put together have a haphazard approach to the problem. I don't believe that any one of them will individually resolve the problem. Collectively, some of them have good points and some of them have bad points. But, I am of the opinion that the solution to the problem does not rest within these five existing bills pending before you.

Having said that and dismissed them, what do I offer as a solution? I believe that there are two studies currently in effect, or on the blueprints, which may possibly offer us some hope. The first is, the study by the Department of Transportation with a schedule for July completion, as to whether or not there should be a county or regional bus authority. Now, these are difficult problems to resolve and they require careful analysis. Do we want to continue to subsidize bus firms? Do we want the state to take over and operate the bus firms? Do we have some alternative between these? These questions are going to be considered by the DOT study and I would suggest that the Legislature might be well advised to await the outcome of this study - anticipated in July - before resolving, or attempting to resolve, some of the complex problems before it.

A second study that I would like to recommend for consideration is the one that I read about in the paper this morning, by the state's COA - Commuter Operating Agency - where Commissioner Sagner has recommended that a study be conducted to determine the answer to two fundamental questions. First, should the structure and management of public transportation be changed? And, what type of financing program should be developed to permanently fund public transit? There are experts in this field who are qualified to respond to these questions and I would suggest that the outcome of that particular study, and the answers to those questions might be beneficial to your committee.

I just want to make one or two more points, Mr. Chairman. I am aware of the heavy drain upon the taxpayers of New Jersey for the operation of the subsidy. In fiscal year 1970, there was \$500 thousand allocated for the subsidy, of which TNJ received \$40 thousand for the operation of the subway. In fiscal year 1976, there was \$38 million, of which TNJ received something like 26%. This obviously indicates the heavy drain upon the taxpayer.

Your questions about the operations of the subsidy are well taken and to me are worthy of strong commendation.

I would hope that the solution might lie along these general lines. Perhaps we ought to consider the institution of - or establishment of - a semi-private operation in New Jersey comparable to CONRAIL on the federal level, where the agency would be able to study the feasibility of the existing routes and scheduling and rates and where we could, hopefully, eliminate duplication - where it currently exists - or obsolete and unused routes, which could also be eliminated. It could also authorize routes, where, because of the shift in population, service is required. Perhaps it would be possible

to launch this operation without a subsidy and, perhaps, we should have an audit bureau to carefully investigate the expenditure of every single penny under the system currently in operation.

I would hope that along these general lines we may possibly find the solution.

I would like to make one last point, Mr. Chairman. The Public Utility Commission, on occasion, has been criticized - I won't say it has always been unjustified - about the operation, with particular emphasis on the common carriers, particularly bus carriers.

One of the charges that have been made against us is that we are long in reaching decisions. I am very sensitive to this charge because it is the determination of the Commission to render its decisions as quickly as possible after all of the facts have been considered. As you do know, we conduct evidential hearings, where all the parties who attend present information to us and after an evaluation, a decision is made by the Commission.

There are times when we cannot control the pace of activities at these hearings. Certainly, when you have antagonists who are vying for a particular point of view, they must be afforded the opportunity to explore fully their position. The Public Advocate has been particularly aggressive in doing this. I don't think there is anybody here who would deprive the Public Advocate of his right to cross examine to determine the facts.

We have been criticized because the Public Advocate is aggressive. I would suggest this is an instance of a misplaced target.

Secondly, some of the decisions we render - all of the decisions we render - are based upon legal precedents in our State. The traditional method of setting rates by a utility is to establish a rate base and upon that, to determine a proper rate of return. We have been required, most recently, by the most recent case, to do precisely that. In instances of common carriers, particularly bus companies, sometimes it is difficult, if not impossible, to establish a rate base. How do you determine a proper rate of return when you have no rate base? The court says we must determine a rate base. So, if there have been inordinate delays, again I would suggest it is not because the Public Utility Commission is dragging its heels, or is unwilling to give a prompt decision, we are bound by some of these difficulties.

I want to indicate to you that attacks of this nature attack the symptom but not the cause and I would hope those who have been critical of the PUC, where criticism is unjustified, would join with us in attacking the cause and not the symptom.

With that, Mr. Chairman, I again appreciate this opportunity to appear before you and offer our continued help. Anytime we can, we will be available to you.

ASSEMBLYMAN ESPOSITO: There is one question I want to ask you before you go. What is your position on the transferring of powers of authority over buses from the PUC to the Department of Transportation?

MR. JACOBSON: I am going to give you a very candid answer. A prior Commission agreed to the transfer of the PUC's regulatory authority to the Department of Transportation on the theory that the two-tier system of regulation is wrong. I buy the theory but I must offer a gentle dissent to the position of the prior Commission. It is my feeling that the Public Utility Commission has been the traditional repository of this authority and, in my opinion, properly staffed, sir - which I must say to you is a different subject and it is one which the Legislature must respond to - we are prepared, capable, and willing to assume that full responsibility.

ASSEMBLYMAN ESPOSITO: Don't you feel that this system puts the non-subsidized buses under a disadvantage?

MR. JACOBSON: If you have one agency, I don't believe it would, sir. I

believe there could be a more even-handed regulation.

ASSEMBLYMAN ESPOSITO: Then you feel that we should transfer the powers to COA?

MR. JACOBSON: No. I believe it belongs in the Public Utility Commission.

ASSEMBLYMAN ESPOSITO: Everything belongs in Public Utilities?

MR. JACOBSON: That is my opinion.

ASSEMBLYMAN ESPOSITO: You made a suggestion about studies. You know, I have been a member of the Transportation Committee now for almost nine years and I have heard the words "studies", "consultants", and everything else. I feel that we are wasting the taxpayer's money. Commissioner Sagner, a year and one-half ago, told us that he would come back within one year and he hasn't come back. I was given some figures this morning where something like \$1,510,000 is being spent on studies for mass transportation and bus subsidies. I think it is a sheer waste of the taxpayer's money. I don't think we should wait that long. We need action and it has to be done now.

MR. JACOBSON: I am fully aware of the futility of some studies in the past. I have been critical of them myself. My own opinion is, sir, that I don't believe these five bills, currently before you, either individually or collectively, offer any solution to the problem.

ASSEMBLYMAN ESPOSITO: No, but we want to consider each bill and we are going to take the meat out of each bill and see if we can come up with a solution. We are not going to wait.

My experience is this: Under the Cahill Administration a feasibility study was made with the taxpayer's money. Then, when we had a new administration, a new group of consultants came in and made another feasibility study. This is a waste of the taxpayer's money.

MR. JACOBSON: I offer you the full resources of the Public Utility Commission in an attempt to resolve all of these problems.

ASSEMBLYMAN ESPOSITO: Okay, good. Thank you.

MR. JACOBSON: Thank you very much.

ASSEMBLYMAN ESPOSITO: We will now take Councilman Pesin and Mr. Morley.

MR. PESIN: Before Joel Jacobson leaves, he took the words right out of my mouth. What he has said here today is the basis of a law suit that was spearheaded by Freeholder Fucilli and Mr. Morley and I am in total and full agreement that the COA has taken away the rights of the people in the Public Utility Commission, which is the defender of the people.

We were able to go before the Public Utility Commission and plead our case with our accountants and the people to preserve service and preserve rate structures. The COA has completely deprived, by their subsidy program, this right which is now the basis of a case Mr. Morley will possibly speak of later, before the Appellate Division.

I regret that at 6:00 last night Mr. Morley called me and asked me to read the paper which contained a notice of the hearing which is taking place here. I got no notice of it. I think that the Chairman of the Hudson County Transportation Commission, and one vitally involved in these problems, could have at least received a few day's notice to have made a prepared statement.

I don't know if I am supposed to be here to comment on all these bills, but as Mr. Jacobson has stated, none of these bills should be given any consideration until the Department of Transportation has made studies. I see Mr. Baer wants to establish a bus authority study commission. Some study commissions are good and some are bad, but unless there is a study commission, you cannot comprehend the problem and I know

of a few of these problems, as a member of the Tri State Regional Planning Commission, I am one of the citizen advisors, just appointed one year ago.

I am not, philosophically, being a great believer in mass transportation, against subsidies. I made a few notes, inasmuch as I was not given an opportunity to prepare a statement. I hope I can made something out of a few of the notes that I just put down within the last hour.

ASSEMBLYMAN ESPOSITO: Councilman Pesin?

MR. PESIN: Yes?

ASSEMBLYMAN ESPOSITO: I wish you would make your remarks brief because we have something like 20 witnesses to be heard.

MR. PESIN: I will try to make them brief. I wish to make some very stong statements this morning.

I am not opposed to subsidies, per se. I am opposed to the indiscriminate, lax, and uncontrolled handouts of subsidies, based many times on pure application. I have heard leading officials in the State make this statement. I don't know what kind of controls there are but I think that there has to be very strict control at the present moment.

I am opposed to placing any subsidies on the backs of the people of Hudson County. I opposed them three or four years ago. There is no reason why the people should have this burden. I understand that there is presently a dispute between the State and Hudson County over one-half million dollars. I do not know under what authority this has occurred but Mr. Ruvoldt will have his say in court.

We have no right to pay subsidies, particularly in a county where most operations are running profitably - particularly in Jersey City - by independent owners who are unsubsidized. We are rewarding the Transport of New Jersey for constantly increasing fares and cutting services.

The COA is mandating, by decree, the rights of the people and the riders. I would rather have the Public Utility Commission take long in deciding cases. At least the people have a fair hearing.

I have seen Transport of New Jersey whittle down the services constantly with subsidies. Our records will show that the people of Jersey City are subsidizing the losses, and I am speaking of people who are in the poor range. TNJ is taking money out of the county. Seven years ago I said, before the PUC, that Transport of New Jersey should split their operations into urban and suburban so that the burden will not fall upon the urban community. They are making money in the city and it is unfair to have their rates go up and, worse yet, to constantly cut services from the poor people of Jersey City and Newark and Paterson, and other places where there are short runs. They are operating profitably and we are in a position to prove it.

I say this, we ought to consider - and this is all the curse of "bigness" - the breaking up of segments of Transport of New Jersey and to possibly transfer certain franchises - Mr. Jacobson said they are doing that nationally - to consolidate certain lines without hurting the drivers of TNJ buses, and transferring some of those to independent bus lines. It should be possible to put some of these drivers into business as we are doing for minority groups. This is a wonderful thing - putting them into business with loans.

I think that if the TNJ buses were given to a lot of their drivers, through some system of financing, we could keep our rates down and increase our service. We have the worst service in Jersey City from TNJ because of the recent action of the COA. This is another thing that I certainly would recommend strongly. I think it would be very novel.

ASSEMBLYMAN ESPOSITO: Councilman Pesin--

MR. PESIN: All right. I will conclude in a moment. I regret now that I did not have a prepared statement. I usually limit my statement--

ASSEMBLYMAN ESPOSITO: Will you confine your remarks to the bills in question, please?

MR. PESIN: I cannot confine my remarks to the bills because I was given no notice. I have not seen the bills. I was never given copies of the bills. But I will say this, I did make reference to them - none of them should be given consideration until the Baer bill is implemented and establishes the study commission.

Mr. Jacobson says that the DOT is making studies. Only if you study these problems carefully are you going to find a solution. You are going to find your problems are similar to those of New York. If you set up certain authorities you are going to have bigger deficits than you are having now with subsidies. I think that with the transit system in New York City, the state took over certain systems from owners who were very happy to get rid of them. We don't want anyone to unload a lemon on the State of New Jersey, whether it be TNJ or anyone else.

I do say that only by proper study and evaluating what it is going to mean to the taxpayers, will we come up with any kind of meaningful solution. Thank you very much.

ASSEMBLYMAN ESPOSITO: Thank you. Mr. Morley.

W I L L I A M F. M O R L E Y: I will just comment, briefly.

ASSEMBLYMAN RYS: If I may, Mr. Chairman, I would like to ask Mr. Pesin a question.

ASSEMBLYMAN ESPOSITO: Yes.

ASSEMBLYMAN RYS: We had a meeting in February of this year and this is what we addressed ourselves to primarily at this meeting. I would appreciate it very much if you would give us a written statement at a later date, if you have the time, and make your recommendations in that statement.

MR. PESIN: I would like to get copies of all the bills. Yes. Allright. I didn't know about that meeting but I would be glad to do that.

ASSEMBLYMAN ESPOSITO: Mr. Morley.

MR. MORLEY: I would appreciate it if at some point we could get copies of these bills. They can be sent to Mr. Pesin, in care of the Transportation Committee here at the County Court House.

ASSEMBLYMAN ESPOSITO: I would like to make this statement for the record. Public notice of this hearing was publicized 10 days ago. Everybody had sufficient time to be prepared.

MR. PESIN: By advertisement?

ASSEMBLYMAN ESPOSITO: No, by new release, not advertising.

MR. MORLEY: I would like to thank the Chairman of this distinguished Committee and its respected and knowledgeable members for an opportunity to come and briefly comment on the legislation that is before it.

I do regret also that I have not had a chance to examine the bills in question. I would like to say, first of all, as far as taxpayer expense goes, that Hudson County Transportation Committee operates at zero expense to the taxpayers. We have a zero budget.

Now, we in Hudson County are tired of having our transportation taken away by administrative fiat. We question why there is a double standard for fare increases and route discontinuances for subsidized versus unsubsidized carriers. The County of Hudson presently has a suit pending in the Appellate Division of the Superior Court brought in the name of the county by our distinguished freeholders who authorized

the county council to go in and question the legality of the operations of the COA.

I am associated with our county counsel, Mr. Ruvoldt, in that suit. We are awaiting a decision from the Appellate Division now as to why the procedural safeguards, the evidentiary standards of the PUC that take place at PUC hearings, don't apply once it goes over to the COA ball park.

I think one of the problems with COA is that there is no COA - it is people from the Department of Transportation wearing a second hat. They have two jobs. They have, more or less, two different drawers in the same desk and how much time they can devote to COA, as distinguished from DOT operations, I question.

I also question whether or not the administrative procedure is applying in COA determinations.

Now, regarding consultants, I think there is a great deal of talent within the State of New Jersey that is working for the State now. I would like to suggest that if more studies are needed, the use of in-house consultants, rather than out-of-house consultants be utilized first, to keep down expenses. I do note that one of the finest transportation systems on the North American continent is that of the City of Toronto. Up until two months ago, they were making their people available if the city or the county would pick up the cost of transportation to bring them down for a few days. They would absorb the cost of the consultants themselves. I regret from what I have heard in the Canadian Consulate in the last week or so that this policy has changed and they do charge a nominal fee now.

But, we here in Hudson County, if we are going to be working with any study commissions, are going to look into obtaining, if possible and if the cost is feasible, a consultant from the City of Toronto. This is not a profit making organization. It is not a private think-tank. It is somebody that actually operates an integrated rail and autobus transportation system and apparently it is one of the most efficient in the continent. We hope to see if we can plug their experiences and their successes and failures into what we have here in New Jersey and here in Hudson County.

As far as the specific legislation goes, in principle we would like to see the PUC stay with the regulation of buses, whether they are subsidized or unsubsidized. I certainly would agree with the Dodd bill if it set up this administrative board in the PUC rather than in DOT.

We have enjoyed, in the past, working with this committee and I have had a chance to testify at various other hearings before this committee in the last year or so and we have certainly enjoyed working with you. Thank you.

ASSEMBLYMAN ESPOSITO: I want to ask you a question.

MR. MORLEY: Yes, sir.

ASSEMBLYMAN ESPOSITO: You said you disagree with the Dodd bill, right?

MR. MORLEY: No, I said I agree with it in principle, subject to this caveat of switching the administration from -- strike DOT and put it over in PUC.

ASSEMBLYMAN ESPOSITO: But, I found this out, when the bus carrier - whether he is TNJ or independent - applies for a rate increase, I don't think they handle this fast enough. He has to wait sometimes nine months to a year and he cannot wait that long. I don't think the PUC has the facilities to do that.

MR. MORLEY: What you say is true, sir. But when you consider the alternative, there are certain constitutional rights, there are certain legal rights guaranteed - an evidentiary hearing, confrontation, cross examination, accountants, checking work papers - that take some time. Perhaps the alternative would be to give PUC a bigger budget, rather than having a two-tier system of regulation, as we have now. If it is subsidized it is over in COA and if it is unsubsidized it is in PUC.

ASSEMBLYMAN ESPOSITO: Excuse me, I don't mean to interrupt you. You say to give them a bigger budget. We find it hard to give them any more money. I introduced a bill last year and it was enacted. It raised the rates from one-eighth of one percent to one-sixth of one percent and we had to work hard to get that bill through and enacted into law. The Legislature don't feel that they want to spend any more money.

MR. MORLEY: It could be transferred from the COA over into the PUC. Take something away from COA and switch it over to PUC. Have one system of regulation, not two.

ASSEMBLYMAN ESPOSITO: You see, even Commissioner Sagner is reluctant about getting the powers of the PUC because he feels he doesn't have the staff to handle it.

MR. MORLEY: Sir, what they are doing when they do have informal public hearings - by they I mean the COA - they "borrow" an examiner from the PUC. He holds more or less an open meeting, a public meeting type of arrangement. They had several here in Hudson County. But, there is no opportunity to cross examine the witness; there is no opportunity to see the records and books of account. And that is one of the facets and one of the arguments we are making before the Appellate Division now, there is no real evidentiary hearing. But they are, sir, borrowing the examiner.

There was a very courageous examiner by the name of Mr. Matia of the PUC who recommended no action whatsoever be taken regarding fare increases or bus discontinuances in Hudson County until there was more evidence before him and he was overruled by the COA without any finding, or facts, or conclusion of law in the overruling. That is part of the basis of our appeal that is in the court.

It seems to be a hit or miss operation in the COA. I suggest they do not, with all deference, have the expertise of the PUC. They haven't been in this field, say, for the last 40 years or so, where there are quasi-judicial hearings, where there is a record, where there is an opportunity to be heard, cross examination, confrontation, accountants, the whole full dress requirement of a contested hearing. I suggest that takes time. Perhaps it could be speeded up with more people. But, in the other sense, you don't want it to be done overnight. You have to have a chance to examine the records and write your briefs and that all takes time. I don't say it is perfect, but it is probably the only thing we have.

ASSEMBLYMAN ESPOSITO: Are there any questions?

ASSEMBLYMAN RYS: I have only one thing, Mr. Morley. We have been having these consultants and running these study commissions for years and years, as Mike stated before.

I have been on this committee for a long, long time and nothing is being done except on behalf of the bus companies and the taxpayers are footing the bills. I would think, in the long run, if we could have these studies and consultants' reports pertaining to these bills, we can move automatically and very fast and have an efficient bus company in the State of New Jersey.

I want to congratulate you on your commendation of Toronto. They have one of the best systems in the North American Continent. Have you ever looked at the San Francisco Transport Division? They have a terrific one. I think it would behoove the presidents of your various companies to make a study themselves, rather than using the taxpayers' money all the time. If we gave you the bill for the last ten years you would be amazed. It is amazing, the millions of dollars we have been spending on consultants and study commission fees. I think that has to stop in the State of New Jersey.

I think some of these bills are worthwhile and they should be acted upon

MR. MORLEY: I can't quarrel with that, sir.

ASSEMBLYMAN ESPOSITO: Before I proceed, I would like to introduce the fifth member of the Assembly Transportation and Communications Committee, Assemblyman John Dennis from Essex County.

ASSEMBLYMAN DENNIS: I just want to ask one question. In about 30 seconds can you summarize? I gather from your talk, the bus lines of Hudson County are run on a profitable basis. Why are they, in Essex County, not doing the same? Is it because there are more riders, or are the rates higher, or what? Because, basically, the two counties are pretty much the same and the environment is the same. What is the basic difference?

MR. MORLEY: I think Hudson is more contiguous as far as the geographic area goes. What relationship that has to this -- I think it is more of a one-zone operation, or two zone. It is not three or four.

Essex is more or less a geographic area. I think you have more independents in Hudson than you do in Essex. This is just off the top of my head. Apparently the cost of the independents is much less than the cost of TNJ. Although, labor leaders have stated that the salaries paid to the independent drivers are not quite as high as the salaries and fringe benefits that are paid to the TNJ. I think you have more TNJ-independent ratio out in Essex than you do in Hudson. But I couldn't say that with certainty.

ASSEMBLYMAN ESPOSITO: Mr. Morley, I would like to answer his question for you. I think in Hudson County we have a lot of independent lines operating with no subsidy and they are doing a good job with less fare, while TNJ is operating more lines in Essex County. That is the reason for that. The TNJ's budget is tremendous.

ASSEMBLYMAN DENNIS: I just wanted to find out in a few words why one line is more efficient than other lines.

MR. MORLEY: I think the Chairman covered it, sir. Thank you for allowing us to appear before you today.

ASSEMBLYMAN ESPOSITO: Thank you.

ASSEMBLYMAN ESPOSITO: Will you identify yourself for the record.

J A M E S L E F A N T E: I am James Le Fante, President of the Hudson County Bus Owners' Association. From what I can see here, down in Trenton we have a big insane asylum, and the inmates are running it. The whole concept of transportation in the state is sickening. It is deplorable. The subsidy situation -- you know, the independents are being penalized for running an efficient service.

I don't know the gentleman's name who asked a few questions with regard to the independents and why we run a proper line. Look at our hands and you can see. We work. We have been here since 1918, and the day a free enterprise is all over --- We have been going along on this Dodd bill to make an autonomous body of buses being controlled by the State of New Jersey - when the day comes that the State of New Jersey controls the busing in Hudson County, the day of independents and free enterprise will be all over.

You know what an autonomous body consists of, they don't answer to any Legislature, and nobody investigates them, and there will be duplication of efforts and wasted service, and high, fat payrolls. I say, gentlemen, with all these studies you have been making, the Blue Book, the Brown Book, the Yellow Book, the county got \$5 million to put out white lines and bus shelters - \$5 million worth of shelters and a lot of paint and a lot of shelters. I wonder which politician is painting his house now with the paint? This is what our State consists of, corruption.

ASSEMBLYMAN ESPOSITO: Mr. Le Fante, I wish you would stick to the merits of the bill.

MR. LE FANTE: This is the merit, wasteful spending and duplication of my tax money. My tax money is going down the drain. No matter how you put it, all these studies, \$8 million for the Blue Book and now they are going to make another study, and the Lord knows what that is going to take.

We are about sick of it. We kept transportation going in Hudson County, the independents, and nobody, no Legislature, no mayor or no Assemblyman came forward - outside of Mike Esposito - to say, "What a hell of a job you are doing." Why do I say it is run like an insane asylum? Because there are two fare structures on the boulevard now, one getting a subsidy and one is not a subsidy line. One is getting forty cents, and the other is getting thirty-five cents. You can ask the passengers, "Hey, man, which line do you want, the subsidized line or the unsubsidized line?" He doesn't know what fare structure he is going to pay on the buses.

On one hand we are getting buses that are paid by DOT, and on the other hand our fare structure is controlled by the PUC. We run at a five cent less fare now, and we are not being subsidized. I don't know what the figures are, but I might have them in my case. Mike can answer questions about all the subsidy money that has been given out by the State. If there is going to be a subsidy program, work it on a mile-passenger basis. This will induce better service. You have to put equipment out there to get money, and you have to put mileage and passengers on the line to get money. You should put everybody under this blanket subsidy program. If you are going to have it, maybe these things can be worked out in the future.

Hopefully, one day consideration will be given to how important we are to the State of New Jersey transportation system. We have the most unique system in the entire United States. We have it here in the State of New Jersey. But none of you Legislators come to Hudson County to see what we are doing, and any study you guys make, there is never a bus man in that study. These guys don't know anything, the ones that are making these studies. They just call us up, and we give them the records, what we have, and what we have been doing, so they can compile a study and bill the State for \$800,000.

There has to be a change, gentlemen, or you will destroy the busing in Hudson County and Jersey City. We can see today that we are being driven out of business. Going back to this autonomous body will virtually destroy the independent businessmen throughout the State of New Jersey.

The Spirit of '76 --- This is the Spirit of '76, destroying free enterprise and the little businessman that worked all his life. We spoke to Commissioner Sagner. I will give you one example. We are supposed to be getting new buses, which we don't know if we want them or don't want them. We don't know. It has been nine months, and we never received the contract. This is the efficiency of the DOT. Are you aware of that, Mike? Have you received the contract?

ASSEMBLYMAN ESPOSITO: I received the contract yesterday morning.

MR. LE FANTE: That is very convenient. We might one day see it. We don't even know if we want the equipment that they are giving to us. Watch he who bears gifts, you know. This is a State Department. We are up in the air. We don't know where we are going, but we know where we are going in transportation. We get up at six o'clock in the morning and we feed our runs and our lines, and we give you the service that is required with hard work. Gentlemen, we need help. If there was any time in our lives when this industry needed help, it needs it now. This is our salvation.

ASSEMBLYMAN ESPOSITO: Jimmy, I would like to ask you a couple of questions. Do you want the PUC to operate all the bus companies or COA?

MR. LE FANTE: Mike, that is something that has to be studied by us at no cost. The bus men have to study this thing.

ASSEMBLYMAN ESPOSITO: Who do you want to be the authority over the bus companies, the COA or the PUC?

MR. LE FANTE: Well, whoever is going to help the independents, whoever is going to give us our fare increases when we need it, when we need financial help, this is the organization we would go to.

ASSEMBLYMAN ESPOSITO: Are you satisfied with the PUC and the way they are handling your hearings?

MR. LE FANTE: Well, we are dissatisfied. You know what it is, Mike, we are individual corporations in an association, and the Greenville Line might have ten corporations within it, and each corporation has to file individually to get a fare rate.

I might show a profit this year, whereas the other fellow had a motor job, and he couldn't show a profit. There would be two fare structures on the same line. You know, you have to realize, gentlemen, we all work as an association, and either we get a fare increase as an association or ---

ASSEMBLYMAN ESPOSITO: Jimmy, just give me an answer to the question and that's all. Another question I would like to ask you, I know that you are fighting the TNJ on the number 14 line. You are before the Public Utilities Commission now. Has that case been resolved? I know it has been going on for six months.

MR. LE FANTE: The case has been pending now. For some reason we decided we went through too much money, Mike. We can't afford to spend any more money. It has cost us \$10,000 in legal fees already. And the Blue Book, which is the property of the DOT, specifically states, "Only parallel service should be discontinued." I don't think the PUC accepted that as evidence in court at the time. You know, the DOT makes a study that cost \$800,000 and you go to the PUC and it is not accepted.

ASSEMBLYMAN ESPOSITO: The reason why I am bringing this question up is, I am aware of the fact that your line, the Greenville-Lafayette line runs in competition with the 14 line of the TNJ from Exchange Place, Jersey City, to the Bayonne City Line, and from

the reports I get, you give better service at lower fares, so I feel it is a waste of the taxpayer's money to have TNJ on the same franchise.

MR. LE FANTE: It is a waste of the taxpayer's money to have the TNJ in Hudson County.

ASSEMBLYMAN ESPOSITO: It has taken the TNJ now over nine months to settle that case, which is wrong.

MR. LE FANTE: Mike, the legal aspects of the case I don't know. All I know is we went through a lot of money, and we can't afford it.

ASSEMBLYMAN ESPOSITO: Thank you, Jimmy. I would like to make a statement. I would like to compliment Mr. Le Fante, as the President of the Independent Bus Owners' Association. I know during the last bus strike, TNJ bus strike, the people in Jersey City didn't notice we had a bus strike. You did a tremendous job, and I compliment you.

MR. LE FANTE: Thank you.

MR. CALI: Mr. Le Fante, how many communities in Hudson County does your association serve?

MR. LE FANTE: Well, Bayonne, Jersey City, Union City, Hoboken, all Hudson County.

ASSEMBLYMAN CALI: Do you service every community?

MR. LE FANTE: Well, there are independent bus lines in that area locally.

ASSEMBLYMAN CALI: I don't know if I asked the question clear enough. If there are twelve or thirteen towns in Hudson County, how many does your association serve? Do you serve half of them, three-quarters of them, or all of them?

MR. LE FANTE: I think we serve about 60% of the ridership of Hudson County.

ASSEMBLYMAN CALI: The reason I am asking this question is because I am from West Hudson, and I don't know how many of your members service, if at all, those communities in West Hudson. I don't know, but I suspect that you do service Secaucus. Do you service Secaucus also?

MR. LE FANTE: That comes under Hudson Bus, so he is a member of our association.

ASSEMBLYMAN CALI: So you do?

MR. LE FANTE: Yes.

ASSEMBLYMAN CALI: Do you service anything in West Hudson?

MR. LE FANTE: What do you consider West Hudson?

ASSEMBLYMAN CALI: I suspect you don't, if you don't know where it is.

MR. LE FANTE: I don't know that too well. I am not used to bright lights, sir.

ASSEMBLYMAN CALI: You know, the name of the association, Hudson County, would make one think that you took care of all---

MR. LE FANTE: If you lack buses in that area, we will be glad to give them to you, if you subsidize us. (Laughter)

ASSEMBLYMAN CALI: I will tell you, we have one independent line that I prefer over the TNJ. I think it does a better job.

MR. LE FANTE: If there is a lack of bus service in your county, and the State will subsidize, we will be glad to give you service.

ASSEMBLYMAN ESPOSITO: Thank you, Jim.

MR. LE FANTE: Thank you.

ASSEMBLYMAN ESPOSITO: The next witness this morning will be Sam Tomassi, Director of the Jersey City Transportation.

S A M T O M A S S I: Mr. Chairman, I would like to say at this time, that the testimony that I gave to you previously in Trenton a couple months ago will practically be about the same testimony I will give you here today. So, therefore, there wouldn't be anything new on the record. Mr. Morley and Mr. Pesin represented Jersey City this morning, and I

go along with their remarks. There isn't anything else that I can say, except repeat my testimony from the last time I was before you people.

ASSEMBLYMAN ESPOSITO: Mr. Tomassi, I know you are the Jersey City Transportation Director. And you have been known as Mr. Transportation.

MR. TOMASSI: Of Jersey City, sir.

ASSEMBLYMAN ESPOSITO: Of Jersey City, in Hudson County, too. I would like to know, during the recent strike, were the buses operating efficiently and on time? What type of job did the independents do?

MR. TOMASSI: The independents in the City of Jersey City did one of the greatest jobs in the transportation history. They did a very good job. During the strike they were very, very efficient. No time was lost. They tried to handle as much as they could, and they did it very, very well.

ASSEMBLYMAN ESPOSITO: How was their service?

MR. TOMASSI: Independent service in Jersey City is the greatest in our local area, and I will repeat myself, I think the City of Jersey City has the best local transportation system, not in the State, in the country.

ASSEMBLYMAN ESPOSITO: You know, I noticed a statement in the newspapers, and I asked you this question before, but I want it for the record of this hearing, because this is a formal public hearing, and I would like to get it on the record. Do you feel that the public is being ripped off by the subsidized carriers, some of the subsidized carriers?

MR. TOMASSI: I will answer your question by saying yes.

ASSEMBLYMAN ESPOSITO: Are there any questions from the Committee here?

ASSEMBLYMAN BURNS: When you use the term "ripped off," do you mean they are overcharging, Mike?

ASSEMBLYMAN ESPOSITO: No, no.

ASSEMBLYMAN BURNS: Operating inefficiently?

ASSEMBLYMAN ESPOSITO: Operating inefficiently, and it is costing them more money, and they are paying for duplication of service where it is not necessary. That is what you mean, right?

MR. TOMASSI: Mr. Chairman, can I answer a question of Mr. Cali that he asked Mr. Le Fante? You are talking about buses that serve the areas in Hudson County, in the west end of the county, and if I am correct, that is your county. We don't have any independents in that area. We would be glad to put them there if you want them.

ASSEMBLYMAN CALI: I would love to have them. The 38 and 39 does an excellent job, much better than the TNJ.

MR. TOMASSI: The 39 is in your county? Does it begin in Jersey City?

ASSEMBLYMAN CALI: No, West Hudson. West Hudson is part of Hudson County which consists of the towns of Harrison, East Newark and Kearny.

MR. TOMASSI: I can't speak for outside of Jersey City.

ASSEMBLYMAN CALI: I know you have a good system, though, I have watched it.

MR. TOMASSI: Thank you very much.

ASSEMBLYMAN ESPOSITO: Assemblyman Rys.

ASSEMBLYMAN RYS: I have one question, how do you feel about defranchising subsidized carriers that are not doing the job in this territory? You are the head of the Department in Jersey City, or Hudson County, right? How do you feel about it? I want it directly from you.

MR. TOMASSI: How do I feel about subsidized carriers?

ASSEMBLYMAN RYS: Defranchising them.

MR. TOMASSI: If we have independents that run parallel to a franchised line, and they are doing a job without being subsidized, I think the subsidized line should go. That is exactly how I feel.

ASSEMBLYMAN RYS: You answered the question. I know what we are talking about.

ASSEMBLYMAN ESPOSITO: Assemblyman Dennis.

ASSEMBLYMAN DENNIS: I just want to say, this is my first year on the Transportation Committee, and that is the reason I am here. I am here to learn. I would like to compliment you on the job you are doing in Hudson County, and I want to try to find out --- As a business man myself, I would rather see a profitable line running, rather than having the State take it over. I mean, we are all taxpayers. That is what I was trying to bring out with Mr. Le Fante, the fact that you were successful in Hudson County, and maybe some of the other counties -- Since I am from Essex County, I don't know too much about some of the other urban counties, Camden, and Atlantic City - I know they have the little jitney buses down Atlantic City - but that's is what I am trying to find out, how we can come up with a good program to see that all the counties are run as efficiently as yours is.

MR. TOMASSI: Well, I will tell you how we can help you, sir, if you would take this study program and send them to Jersey City, we will show them how it should be run. I am not interested in Toronto or any other place. Come to Jersey City. No one in the State Department has ever come to this town to see how our system works. I have been here 25 years, and never entertained any official from Trenton to show them anything in Jersey City. Mike Esposito knows this. Mike lives here. He lives with us. He knows what we do here. I would like them to come up and study here for a week. I will give my service free. The City doesn't even have to pay me for that week.

ASSEMBLYMAN DENNIS: I appreciate your comments, sir.

ASSEMBLYMAN ESPOSITO: Thank you, Mr. Tomassi. Mr. Sanford Weiss, representing the New Jersey Motor Bus Association.

SANFORD WEISS: My name is Sanford Weiss. I am the Vice President of the New Jersey Motor Bus Association, and I am President of Trackless Transit of East Orange, which is a subsidized carrier. Our association includes unsubsidized as well as subsidized companies. We also operate companies engaged in charter operations, while others operate lines as well as charter service. We include transit firms who work wholly within local areas, as well as those who operate inter-state between New Jersey points and New York and Philadelphia. Our 92 member companies provide approximately half of the bus service in this State. The remainder is furnished by Transport of New Jersey, and several publicly owned companies.

Your study comes at a timely point. The subsidy program, which began modestly in the late 1960's now appears to be growing geometrically. The recent inflation and fuel shortage combined with economic dislocation have thrown many once prosperous companies into loss situations. Rather than seeing what is regarded as the central service discontinued, or fares raised to self-defeating levels, the Department of Transportation has chosen to incorporate most of these operations into subsidy programs. This grope, however, can be compared to the sewing of a patchwork quilt. The program has bounced along from emergency to emergency, crisis to crisis. Neither the department or bus operators, nor the tax paying and bus riding public seems to have an idea where the program is headed. You may find this difficult to believe, but despite the fact that the State of New Jersey each year dispenses tens of millions of dollars in subsidies to bus companies and railroads, there are absolutely no published rules or regulations concerning the dispensing of these dollars. While the New Jersey Administrative Code contains rules for the adjustment of bandages on prize fighters or tolerance standards for asparagus, or thousands of matters of greater moment, it says nothing about spending more than \$60 million on rail and bus subsidies this year and more

next year.

Actually, this is a deep concern to the subsidized carriers who must meet continuing and, indeed, escalating expenses on a weekly basis and we must do so in the face of informal standards and regulations that appear to change almost weekly. Changes that affect one carrier often are not applied to another.

The Department, and particularly the Division of Commuter Services, appears to be well aware of these problems but apparently they have not found the time to establish a more coherent program. In large part this may be due to the chaotic condition of state finances. Another factor may be the ever worsening economic condition in the bus and rail industry. Another area in which major problems of coordination have developed grows out of the apparent separation of authority within the Department between the operating people of the Division of Commuter Services and the auditing and accounting personnel of the administrative or fiscal section.

Recently we had a number of instances of auditors at various levels making their own determinations in contradiction to directives of those in charge of the day-to-day commuter programs. Commissioner Sagner has, at our request, called special meetings where we have ironed out the difficulties.

I am not making these remarks to criticize the current administration of the Department, but to point the way to reforms which we are told are under way.

It is essential that these reforms include definitive rules and regulations concerning the operation of the subsidy program. The businessmen must know with some certainty that costs which are apparently allowed at the outset of the contract will not retroactively be disallowed after the expenditure has been made in good faith. The State has certain obligations to carefully audit all subsidy payments to insure the contractual obligations are met. The auditing process, however, should not be used to change the rules of the game after the game has been played. The game does call for new rules, as many of those who testified previously have noted.

There are inequities and inadequacies in the current system of using the subsidies to offset deficits which result from a variety of factors. We would hope that the current studies of transportation experts will produce a system that offers incentives to operators, based on service and improved ridership. The present system, in addition to discouraging management efficiencies in these areas, is almost punitive in its nonallowance of such basic business costs as depreciation, repairs to buses and the physical plant administrative costs. We realize that these restrictions have been made necessary because of the state's financial problem but the ultimate result will be a breakdown in service, despite subsidies.

I would like to add one thought relating to unsubsidized carriers. As you know, the Department of Transportation has jurisdiction over these companies who operate under subsidy. The Public Utility Commission retains jurisdiction over rates and services affecting unsubsidized carriers. We have seen a decline in the PUC's ability to render the timely decisions that are required by bus companies in a period of rapidly changing economics.

For example, one of our member companies filed for a rate increase a full year ago. Although the amount in question was a relatively modest \$35 thousand, involvement of the Public Advocate and other factors delayed completion of hearings until October of last year. The PUC has not yet rendered a decision. There have been delays, not as long, for similar applications by members of other carriers, and the PUC showed itself able to act within 60 days on almost all applications. If this trend continues, the only outcome will be to drive unsubsidized carriers into the subsidy program or out of business.

We realize that the PUC has been occupied by numerous rate increase

applications from power companies and similar utilities. But this cannot be used as justification for delay in our vital area of public service. As in the courts, justice that is delayed by an administrative agency also is justice denied. Such denial can be costly for the taxpayer.

These are among the most important problems that the motor bus industry is encountering in New Jersey today. We realize that the answers are not easy to find, but with the attention of the legislative and administrative officials, we are confident that better answers can be found and they can be found in the future. We offer continued cooperation in whatever way we can help.

ASSEMBLYMAN ESPOSITO: Mr. Weiss, on page three of your statement, you refer to a member firm that has filed for a rate increase and it has taken almost a year to get this rate increase.

MR. WEISS: Yes.

ASSEMBLYMAN ESPOSITO: Do you favor having the authority to regulate rates transferred from the PUC to the COA?

MR. WEISS: Maybe we could ask that question of our attorney, Mr. Benjamin Bendit, who represents our organization.

ASSEMBLYMAN ESPOSITO: Mr. Bendit?

MR. BENDIT: Yes, sir. I might say that the carriers involved in these fare increases are Jersey City carriers. The Hudson-Rockland is one of them and the North-South Jersey is the other one.

Let me give you an example -- when the COA handles a fare increase, they have auditors going over it and they have their accountants. You get an immediate fare increase. With the Public Utilities Commission it has been delayed in Rockland's case for a year.

Now, the PUC has auditors, they have accountants, they have staff members who are more familiar with fare increases than the newly devised Public Advocate, where there are young kids coming in there. One of the questions was - and we spent almost a day and one-half on this - why Rockland doesn't change its insurance agent because maybe they could save money. Now, as a lawyer, for those of you who have been at hearings, this can be completely frustrating.

I think the PUC or the DOT should have jurisdiction. But I point out to you there should be rules; there should be regulations; there should be time limits. And if they follow those rules and regulations, the PUC can adequately handle it because they are familiar with it.

We feel that a properly prepared case can be dealt with by the PUC in the transportation field quicker than in the rate cases, such as Public Service Electric and Gas. You don't have the same problems in a small bus company as Mr. LeFante has, where they make \$50 thousand a year and a lot of it goes to salaries, as you do with Atlantic City Power and Light. But the same rules and regulations that apply to Atlantic City Power and Light apply to Mr. LeFante's one or two bus company operations. It is unfair and it has no application.

I think, Mr. Esposito, in response to your question, A, the PUC has the facilities; they have the accountants; they have the wherewithal to handle these matters. If they can handle them promptly and efficiently and have them streamlined, as they should be, then the PUC should continue. But if they are going to be inefficient and the DOT can handle it more efficiently with their accountants, then let that agency, which can do the better job, more efficiently for the bus companies - which, ultimately, will be in the best interest of the public - handle it.

We need rules and regulations which are applicable to bus companies and not to power and light companies in those hearings.

ASSEMBLYMAN ESPOSITO: Another question I would like to ask - on the second page of your statement, I would like a clarification on that. You say, "And we must do so in the face of informal standards and regulations that appear to change almost weekly." Will you explain that?

MR. BENDIT: Well, the first thing is, there seems to be a constant inuendo through this hearing and in other hearings and in the media that the subsidized bus companies have a bed of roses, you know, that nobody looks over their shoulders and they are allowed to do everything and anything that they want; that there isn't any orderly procedure.

All the bus companies under subsidy are exhaustively audited at the end of their fiscal year. Our company had four auditors in, at the end of this last two year audit, for two months. You could have done General Motors in that period of time.

Many of the things that were allowed at the beginning of a period, two years ago, where expenditures were made, new directives came out of the DOT two years later, never publicized to the independent bus company who is running his operation and, consequently, retroactively the money is disallowed.

In my company, in particular, there was something like \$17 or \$18 thousand disallowed for motor work on buses that was done. Now, obviously, it is impossible to run a bus company without doing major motor repairs. Two of the disallowed motor work items that were done were on buses that were owned by the State of New Jersey. We don't even own the buses. We did a major motor overhaul on the buses and the expenditure was disallowed. Now, it is impossible to run a bus company under these circumstances. That is only one item; there are any number of items. For example, even with a small adding machine which can be bought, they want you to rent it even though the rental of that machine will cost five times as much. The company will be very happy to sign a waiver on this saying while we are doing business the machine has to be purchased. If, at the end of whatever period you say, the State wants the adding machine, they can have it. However, during the course of the operation, we have to buy it.

It seems like there is a continual harassment with this type of thing.

ASSEMBLYMAN ESPOSITO: I would like to ask another question. I see that your firm operates about half of the buses in the State of New Jersey, is that true?

MR. WEISS: Not my firm, The New Jersey Motor Bus Association members.

ASSEMBLYMAN ESPOSITO: Yes. And, also, are the non-subsidized bus lines prepared to take over presently subsidized routes and operate during off-peak hours, like weekends and late night hours in the urban areas? Are you prepared for this?

MR. WEISS: I think most of the unsubsidized companies are doing that. They would be happy at that particular point to expand their operation to meet whatever needs are necessary within their local area.

ASSEMBLYMAN ESPOSITO: It is the intention of this committee to come up with a report. I think in our report we are going to recommend a fact-finding commission, made up of members of TNJ, the non-subsidized carriers. Would anyone in your group be willing to serve on this commission?

MR. WEISS: I am sure our organization would be very happy and honored to have one of our members serve on this commission.

ASSEMBLYMAN ESPOSITO: Because I firmly believe the bus carriers are the experts. I think they can resolve the problem amongst themselves.

MR. WEISS: I think good input can be given from within our organization. Many of them have given their whole lives, up to this point, into the operating of family owned businesses.

MR. BENDIT: May I make just one comment?

ASSEMBLYMAN ESPOSITO: Yes.

MR. BENDIT: I agree with the Assemblyman, in discussing these studies. Now, \$1,500,000 is either being spent or has been spent and as Mr. LeFante very properly said, the best experts in the field are the men who are in the streets. They know traffic. They know what the bus industry needs because they are making a living as a result of it. I suggest this, go to the industry. They will tell you how to solve the problems. Don't go to some firm that just gets all the information from us and then has some young economist put everything on a graph. Graphs don't pick up people, bus companies do.

ASSEMBLYMAN ESPOSITO: I firmly believe in what you just said. Are there any questions?

ASSEMBLYMAN BURNS: I just have one question. Out of curiosity, they disallowed the repairs. Did they give you any reason why they disallowed these repairs?

MR. WEISS: They considered it a capital improvement to the bus.

ASSEMBLYMAN BURNS: Did you pick it up anywhere else?

MR. WEISS: Pardon me?

ASSEMBLYMAN BURNS: Did you pick up the cost of the repair anywhere else? You are intimating that it was an out and out deficit.

MR. WEISS: At the present time it has been disallowed. We are going down to try to discuss that and if it continues to be disallowed, then obviously that will have to be picked up out of their own pocket. But, it is an impossibility to run a bus company without encountering major overhaul repairs on a bus.

ASSEMBLYMAN BURNS: That is the thing I can't understand - how they could disallow a repair like that.

MR. BENDIT: Now you know the frustrations that we have.

MR. WEISS: I think that to feel that every bus company in the state can be run on a profitable basis is not a proper assumption. There are areas that are not as urbanized, that are not as highly concentrated with passengers, and if the state feels that these areas are to be served, they have to be served on some sort of subsidy basis. Obviously, we are looking for them to be served in the most efficient area by the company who can handle it on a most efficient basis.

ASSEMBLYMAN ESPOSITO: Another question that I would like to ask is, the bus carriers operate -- some operate on subsidies and others don't operate on subsidies; some operate corporations under different names, charter bus services. The subsidized buses are subject to audit but the affiliates of some of these corporations are not subject to audit. How do you feel about being audited by the DOT?

MR. WEISS: Well, if you have a company that is divorced entirely, expensewise and otherwise, from the subsidy operation, I don't see where that should be necessarily involved in anything that the state does.

ASSEMBLYMAN ESPOSITO: Yes, but I know that there are some buses on subsidy and they have buses under another name - under another corporation name. They are a charter service. I think they should be audited too.

MR. WEISS: There are companies within our organization--

ASSEMBLYMAN ESPOSITO: The same principals, practically, belong to each corporation.

MR. WEISS: Usually they are the same principals. But there are companies within the subsidized carriers who do charter work under different companies and portions of the charter work, if it is housed within the same operation, have apportioned expenses.

ASSEMBLYMAN ESPOSITO: I don't think they would be afraid to be subject to an

audit if they represent--

MR. WEISS: If you have a bus company in East Orange and a bus company in Hackensack that is completely divorced from my operation with different management, I can't see where that would necessarily tie in one to another.

ASSEMBLYMAN ESPOSITO: I firmly believe that these companies should be subject to an audit.

MR. BENDIT: Mr. Esposito, maybe I can make that clear. In the charter operation - you have to see the history, how it grew up. In the charter operation, many of these charter companies are ICC carriers; all they do is charter work. They are separate and apart from the regular route carriers. They have different kinds of buses even. They are regulated by the ICC and in some cases, where it is a charter operation within the state of New Jersey it is within the PUC. You may have other subsidized carrier unions on the charters. Only summer work is non union.

So, you are dealing with apples in one situation and bananas in another. Now, if you combine all of them, then what you have is, you start having problems in your charter operations because men who work part time will then become part of the same union as the subsidized carriers. So, you will just create so many problems if you were to try to do that, that it may very well destroy the charter industry in New Jersey, which is still a viable industry.

ASSEMBLYMAN ESPOSITO: But they still use the same facilities. You have the charter bus company using the same facilities as the subsidized line is using.

MR. BENDIT: That may very well be.

ASSEMBLYMAN ESPOSITO: I don't think it is fair.

MR. BENDIT: Well, I am not going to--

ASSEMBLYMAN ESPOSITO: That is only my opinion.

MR. BENDIT: Yes. But, you see, you do have problems because some are regulated by the ICC and they have Interstate Commerce rights to travel between states. The non-subsidized carrier doesn't -- I'm sorry, the subsidized carrier does this - a line between two points, from Hudson County to Essex County.

ASSEMBLYMAN ESPOSITO: Are there any questions?

(no questions)

Thank you, Mr. Weiss. Thank you, Mr. Bendit.

We will now have a five minute recess so the stenographer can change her paper.

(Five minute recess)

#### AFTER RECESS

ASSEMBLYMAN ESPOSITO: The hearing will now reconvene. We intended to take a short break but we took a short lunch hour and we are going to work through the lunch hour. The first witness will be John Gilhooley from the Transport of New Jersey.

J O H N J. G I L H O O L E Y: Thank you, Mr. Chairman. As you know, gentlemen, I am the President of the Board and Chairman of the Board of Transport of New Jersey. I am grateful for the invitation you have extended to address this Committee on what I consider to be one of the most vital issues of today: the preservation and future expansion of adequate mass transportation facilities. As you know, Transport of New Jersey is the nation's largest privately owned and operated mass transit bus company, carrying over 400,000 daily passengers on over 100 local and interstate routes in twenty of New Jersey's twenty-one counties. Our operations account for nearly half of all regular-route passenger service in this state.

Before discussing the merits of any of the proposals before this committee

today, I would like to take a moment, gentlemen, to commend the legislators who sponsored these bills and particularly your committee, Mr. Chairman, for recognizing the fact that the bus industry of New Jersey is the backbone of mass transportation in this state, both now and in terms of future development. By putting proper emphasis on bus transportation as a truly economical, ecologically sound and energy efficient mode of transportation, this committee will certainly be making a major contribution toward the formulation of a long overdue and rational statewide transportation policy. Thus, it is very encouraging to see that four of the bills before this committee today recognize that improved bus transportation as the logical starting point in building any mass transit plan for New Jersey.

Coming more specifically now to the objectives of this committee, I would like to offer several brief comments with respect to the bills under consideration.

First A-992 - As I understand the bill it would prevent any new bus companies from competing with subsidized bus companies along the same route. While such a bill would obviously improve TNJ's competitive position, I have been advised by counsel that there may be doubts as to the constitutionality of this bill and, therefore, until such doubts, if they prove to be true, are resolved, I believe it would be proper for me to refrain from further comment with respect to A-992.

The next bill is S-1199. I would like to touch briefly on this bill at this time. The intent of the bill, to set up a Bus Services Administration Board which would plan, oversee and coordinate bus service in New Jersey, is a laudatory one. However, this bill too may raise questions in terms of constitutionality and for that reason I would defer comment upon it until such time as those problems, if they are problems, may be resolved.

Turning now to A-1660 - this bill, through thorough research and study in an effort to formulate an overall plan, seems to represent a sound way of approaching our mass transit problem.

I believe that an important initial step to achieve this vital objective has already been taken. As the committee is no doubt aware, the New Jersey Department of Transportation has engaged the firm of Simpson and Curtin, the transportation division of Booz, Allen and Hamilton, a highly thought of management consulting firm in the United States, to undertake a study which we at TNJ believe will provide a base from which intelligent judgments can be made to formulate a sound overall mass transit plan for New Jersey.

The study, which is scheduled to be completed in the Fall of this year, seeks to restructure the State's bus subsidy program by suggesting incentives in the form of monetary return to the private carriers in order to encourage more efficient operations.

At the present time, private carriers are receiving a minimal "bare bones" subsidy - just enough to be kept alive by meeting most operating expenses with no provision for depreciation expense and no provision for any return on capital whatsoever for the use of these carriers' buses, garages, shop equipment and the like which, day after day, are placed at the disposal of the riding public. I am hopeful that this bus subsidy restructure study will change the current "band-aid" approach and, in addition to incentives, also recommend penalties for those carriers not measuring up to the standards of providing safe, clean, dependable transportation service to the public at a reasonable cost. We at TNJ are of the opinion that this study, if properly utilized, will improve bus service in the public interest.

There is also a second study to be provided, I understand, by a qualified consulting firm. As we understand it, - and I believe this was announced in the press this morning - this is a more ambitious undertaking which has as its objective the

consideration of the long range future for mass transit in this State. This study will consider in detail the various options available to the State in its approach to mass transit, for example, complete state takeover; private ownership; a combination of public and private efforts; or some other, hopefully, beneficial approach.

The results of these studies will certainly be relevant and, I trust, helpful to the work of this committee.

Turning now to bill A-1388 and S-523 - My comments on these two bills are basically the same since, as can be seen from a reading of the bills, the intent of both is the same: To have the State or some agency of the State take over ownership and operational control of bus transportation throughout the entire State of New Jersey. Although S-523 mentions TNJ specifically, it also makes provision for the acquisition of other bus companies.

Fundamentally, the concern expressed by the sponsors for the preservation of adequate bus service is one that I, and I guess we all, share. However, I do believe that reasonable men can differ as to the means and method used to insure the preservation of those services. For this reason I would respectfully suggest to this committee that the various consultants' studies, now underway, may provide valuable information and a better frame of reference from which to consider the merits of these bills.

If I may interrupt my prepared remarks for a moment, Mr. Chairman, I heard the comments that were made earlier with respect to the input that should be had from the carriers themselves, a position with which I thoroughly agree. I know that provision has been made in these studies for an advisory committee to the consultants and to the DOT, to be set up with members of the various carriers sitting on that advisory committee as the study proceeds. I think that is a very helpful - that would be very helpful input and I think to a degree meets the criticisms - and I think appropriate criticisms - that were made here earlier.

The committee may also wish to take notice - I regard this as very important - that the experience of many transit authorities across the nation over the past fifteen years has clearly been that public ownership and operation of mass transit facilities is not the cure-all it was once thought to be. All we have to do is look across one river to the north - to New York - and another river to the south - to Philadelphia - to realize that a totally public operation is not only extremely costly but, in most instances, far less efficient than private operation.

While, by virtue of providing capital funds, public ownership has tended to abate the physical deterioration of transit properties, and while it has also tended to level off the downward trend in riding on some public properties, such turnarounds as have been achieved have been accompanied by an enormous increase in operating costs and deficits, thus necessitating massive public financial assistance, not only for capital improvements but also to make up for everyday operating losses. There is reason to believe that a more significant improvement in overall transit service can be realized at considerably less public expense through a blending of the inherent advantages of the public sector and private enterprise.

As a result of this type of thinking we have recently seen several efforts made to combine the best features of governmental involvement, together with the benefits to be derived from utilizing the strengths of private enterprise. AMTRAK and CONRAIL are examples of such efforts. Under such an effort, the governmental role is restricted to overall planning, coordination of policies and to the provision of capital and operating funds necessary to implement its policies. But the operation - the day-to-day operation - of those transit systems, which survive the government's planning process, should, as they are in AMTRAK and CONRAIL, be left to private enterprise.

A similar point was emphatically made earlier this year by Governor Byrne's

Economic Recovery Commission. The Transportation Sub-Committee in its final report stated - and I quote: "The American experience over the past generation is that public ownership and operation of mass transit facilities is in itself no magic solution, and our Subcommittee wishes to record its unalterable opposition to a public takeover in New Jersey of rail and bus mass transit facilities. This is not to say that the public sector does not have a vital role to play in the development, improvement and preservation of our mass transit assets. We have seen several efforts made to combine the best features of government involvement together with the benefits to be derived from utilizing the strengths of private enterprise, blended together in a synergistic effort to meet such problems. COMSAT, AMTRAK, CONRAIL are examples of such efforts.

"We are firmly of the view..." said the committee "...that an immutable guideline should be that government's role be restricted to the setting of overall planning and coordinating policies and to the provision of the necessary capital and operating funds to carry out those policies.

"The operation..." and that is a word that is underlined in the report "...of such transit systems as survive the government's planning process should be left to private enterprise with its penchant for profit incentive, cost consciousness, and the use of modern marketing techniques, thus enabling the State to capitalize on the ability of private management to spur the maximum in productivity, both in terms of the work force and the utility of capital equipment purchased with government funds. In these times when so much is being heard of inefficiencies and lack of productivity in the use of labor and equipment where the public sector is concerned, we believe that this approach would provide the most productive and efficient form of mass transit service." So ends the quote from the Governor's Commission.

In conclusion, gentlemen, I can only say that while I am sympathetic to the fundamental intent of the bills you are considering today - which is to improve bus service throughout the State - I can only suggest that action on any of these bills at this time might be premature considering the fact that definitive studies by a reputable consulting firm are now being conducted. I assure you, however, that whatever policy is formulated by this Legislature as a result of the recommendations of this committee or the consultants, we at TNJ will do our best to comply with any reasonable course of action designed to improve, expand and facilitate the delivery of safe, efficient and economical bus service to the citizens of our state. Thank you very much.

ASSEMBLYMAN ESPOSITO: Mr. Gilhooley, first we want to thank you for testifying at this hearing. We know about the studies being conducted but the purpose of this hearing was to get some input on the inefficiencies and inadequacies of the present bus subsidy program.

At an informal meeting of the committee, the Commissioner of Transportation, Alan Sagner, admitted that there were inadequacies and inefficiencies in the present bus subsidy program. So, we are relying on your expertise and we are looking for answers. I wish you would try to answer some of the questions that are a dilemma with our committee.

One, I would like to know what criteria should be established in order for a bus company to be entitled to a bus subsidy?

MR. GILHOOLEY: Well, that is a very simple question to state but very complicated to answer. I think that it is important as a fundamental approach to the problem to understand what we mean by subsidy.

If one looks in the dictionary at the definition of a subsidy, it goes back to the generation of the word in middle English - as I did a long time ago, when I first came here. A subsidy was regarded as a gift from a sovereign to some favored

knight who had done and provided a service - a pension.

Now, if we are talking about that kind of situation, then I don't favor subsidies at all because I don't believe the State of New Jersey should be in the business of giving gifts to anybody. On the other hand, if the State of New Jersey and those who are running it - the Legislature and the Executive Branch - determine that certain bus service, which cannot be run economically out of the fare box-- And there is a general realization throughout the nation now that much of the inner core city transit service, as distinguished from the commuter service, the long-haul commuter service or the long-haul inter-city service - we are talking about service within the inner core cities - cannot be profitable out of the fare box and to the extent that there is a sociological purpose approved by the Legislature and the Executive that such service should be provided for the poorer people of the state, then it should be provided that the state should be prepared to underwrite the cost of that service to the extent that the riders themselves, through the fare box, cannot do so.

So, that, to me, would be the basic criteria that I would use in determining a subsidy program. I do not believe in gifts. I would be opposed to gifts. But, on the other hand, if the state feels that, for whatever reason - for reasons of policy, whatever they might be - that a line should remain and it cannot make it out of the fare box, then the costs of the operator, including his depreciation expense and some reasonable return on his investment should be paid to him because, really, he is running that line for the benefit of the state.

ASSEMBLYMAN ESPOSITO: Could you suggest some specific proposals to encourage free enterprise in the bus industry - something like the incentive system or something?

MR. GILHOOLEY: This, again, is a matter that I am not sure I could come to you and give you full-armed, with the authority of Job, a packaged plan for incentives. I can tell you how I would approach it, were I given the assignment. I think, one, I would begin with, "What are the passenger wants?" I think the passenger wants this: I think he wants, as far as both bus and rail are concerned, a dependable, economical, clean, fast, on-time service. Now, I may have left one or two criteria out but I think, certainly, I have hit most of it.

ASSEMBLYMAN ESPOSITO: Yes, but what you are asking for you can't get economically, you know that.

MR. GILHOOLEY: Well, this is what he wants.

ASSEMBLYMAN ESPOSITO: This is what he wants but somebody has to pay the bill for it.

MR. GILHOOLEY: This is what he wants and to the extent that he gets it, he will use the mass transit systems and he is not using them now. But if he could be assured that the system that is given him - that is provided - has all of those elements in it, then you will see an increase in the riding of the buses and the trains in New Jersey, as has been seen in a number of communities around the country.

Now, this is going to have to be financed though, somehow, someway. The State then has to make up its mind as to whether or not it is willing to underwrite systems that will provide those amenities to the passengers to increase passenger riding and to cut down on the number of automobiles that are polluting the skies and crowding the highways.

So, if you begin with those criteria, then it seems to me you can get people to sit down - people who are engineers, and I am not - and work out ways and means of measuring whether or not a bus company is performing on time; what the criteria should be for on-time performance; whether it is performing on time; a criteria for cleanliness, whether buses are clean; a criteria for dependability; and a criteria for everyone of these other areas. I think you will find the engineers would have very little difficulty

doing that. Then standards could be set and then there could be a monitoring system set up to check the bus companies that are receiving subsidies, and those who are not meeting those standards should be penalized. Those who are meeting the standards should be given incentives to continue to do better.

I am sorry, sir, I cannot go any more specifically into it than that because I have not had a chance, really, to get that far down deep into it.

ASSEMBLYMAN ESPOSITO: You know, there has been an outcry by the people that the subsidy program is nothing but a give-away and the cost of the subsidies this year will be something like \$34 million - the bus subsidy alone for the State of New Jersey. We are alarmed. You see these figures getting into a high rate. What do you expect the amount of subsidy money TNJ will need next year will be? Will it be more or less?

MR. GILHOOLEY: Well, obviously, as costs rise and we are required to keep out the same level of service - pretty much - there will have to be some increase in our subsidy. How much it will be will depend upon the amount of service that we are required to keep out on the streets and the amount of increase in our costs.

Now, we have just signed a labor contract which, I think, was a reasonable one and which would protect us in the event that we have a situation recurring, - which I hope to God we don't - and that is, the runaway cost of living - inflation. As you know, a year ago, or a year and one-half ago, we had double digit inflation, which is what caused the enormous increase in the subsidy payments over the last year.

Our present contract protects us against that. So, I think that the increase in the TNJ subsidy for next year would be relatively minimal, if inflation is kept under control.

The key to our situation is inflation.

ASSEMBLYMAN ESPOSITO: Some of the witnesses here this morning have criticized TNJ and their operation. They say the high cost of personnel - your salary and somebody else's salary-- Can that cost be cut by TNJ?

MR. GILHOOLEY: The high cost of personnel, the relationship between management salaries to our gross operating revenue is the best of any company in this state - top management salaries to gross revenues. The problem that we and all other bus companies have is not the salaries top management is being paid - assuming top management is worth it, if it isn't then the people who are employing them ought to fire them - the problem that we have is that we are a labor intensive industry and in excess of 80% of our costs are labor costs and to the extent that there is an unbridled cost of living escalator in the contract, which we have had up to now - I didn't put it there, it was there when I got there - then you have an uncontrollable labor cost and that is where the problem is and that is what has caused the enormous increase in the amount of the subsidy programs. When you get to the very bottom of it, that is what has happened.

ASSEMBLYMAN ESPOSITO: I, myself, am having a dilemma. I can see paying high salaries if you run a profitable business but you are not running a profitable business, you are forced to go to the State of New Jersey for a subsidy to operate.

MR. GILHOOLEY: Are you asking me a question?

ASSEMBLYMAN ESPOSITO: Yes, I am asking you a question. How can it be that you can pay these salaries of such enormous figures and not run a profitable business? I don't think it is justified. I personally think that the public is not getting their just due.

MR. GILHOOLEY: Number one, I will be happy to respond to your question.

ASSEMBLYMAN ESPOSITO: This is a complaint that I have received. I have received letters from people and everybody concerned. That is why I am asking that question.

MR. GILHOOLEY: I will be happy to respond to your question. I thought we were here this morning to discuss, specifically, a number of bills.

ASSEMBLYMAN ESPOSITO: Yes, and this is part of the bus subsidy program.

MR. GILHOOLEY: Transport of New Jersey - the old Public Service Company - since 1907 has devoted \$30 million of its assets to the provision of bus service to the people of the State of New Jersey. For example, when I came here in 1971, this company was headed for bankruptcy. It was on its way into the bankruptcy tank. The reason I was brought here was to try and prevent that from happening and keep the most valuable asset - the mass transit asset - that the State of New Jersey has - and two governors have said that - to keep it viable and operating.

Within the first year and one-half after coming here, I was able to reduce our costs at a rate which, at current labor levels, would be somewhere in the neighborhood of \$15 million. As a result of that, we were able to consolidate a number of our operations and, thus, free up for sale a number of our real estate properties - our garages. We sold a number of them, for example, as I recall, for \$6 million. That \$6 million was plowed right back into the business and was used to pay salaries of our bus operators and our technicians and the people in our shops and all of our other costs.

In addition to that, we have received no return on investments since 1968 and we have received no depreciation since 1968. So, the total amount that this company has invested in operating service for the people of the State of New Jersey was \$30 million and that is one of the reasons, very frankly, why Governor Cahill was finally persuaded that the time had come to do something about keeping TNJ together.

ASSEMBLYMAN ESPOSITO: Another question I would like to ask you and I want you to answer carefully is, where you have two bus lines running on competition on parallel routes - one on subsidy that doesn't give the service and the other gives the service at less fare - do you think that the subsidized bus line should get off that route?

MR. GILHOOLEY: I think it is easy to over-simplify the situation, Mr. Chairman. Number one, the subsidized carrier may be a carrier that has spent 40, 50, 60 years to develop the business that it has. There is a value in its franchise, even though it isn't making money. There is a value in the fact that he has developed a business and spent a great deal of time in developing it.

I think that what should happen in a situation of that kind is that both sides should sit down and see if there isn't some way that could be worked out for one side to buy the other out.

But, to just take one company and take its franchise away is a deprivation of its property without due process and I think that it would be illegal.

ASSEMBLYMAN ESPOSITO: I have another question I would like to ask. Do you believe there are inefficiencies and inadequacies in the bus subsidy program at the present time?

MR. GILHOOLEY: Well, I think there are inadequacies in it and the inadequacy is that it does not provide the return to the operator that should be provided. You have heard that before. The previous person who testified suggested the same thing that I am suggesting. What they do is, they pay you - up until recently what they did was to pay you what they call "break-even cash flow", which meant that they keep your head just above water so you wouldn't go into the bankruptcy tank, but you got no return for the depreciation of your assets and you got no return on your investment.

Now, they have even gone below that and they said, "Whether it is a break-even cash flow or not, we will give you a certain amount of money and you must operate

within that framework and if you can't operate within that framework, then you have to go and try and get lines cut and if the PUC won't let you cut lines, then you have to bear the responsibility for carrying those lines, if you can, and if you can't it's tough." So, it is not only inequitable, it is grossly unfair.

Now, as far as efficiencies are concerned, I have no comment to make on that except to say that we have been investigated 16 different ways; we have been looked at by the OFA, thoroughly - our company and I assume the other companies; we have investigators and accountants and auditors from the DOT on the property all the time. So, I would assume that any inefficiencies that we have in our company have been smoked out. So, as to that, I can't comment. I think that they would be more prepared to comment on it than I would.

But, insofar as the Department is concerned, the only inefficiencies that I see are, we get the money that has been promised to us so late in the month that we have to build up our payables to the point where most of our suppliers now are putting us on a COD basis, whereas, for the last 70 years we were able to run up 30, 60, or 90 day bills.

ASSEMBLYMAN ESPOSITO: Another question I would like to ask you is, do you see a dramatic increase in the bus subsidy monies in the next 5 years?

MR. GILHOOLEY: Again, Mr. Chairman, I think that will depend on a couple of things. It will depend on how the economy goes. I think the key to it, again, is the rate of inflation. That is what has driven up the costs, at least on the bus lines. Now, on the rail side, perhaps you have a little different situation because rail is inherently more expensive to run than road by many degrees of magnitude.

But, if the economy is kept under control and if the cost of living is kept under control, I do not see a massive need for increases in bus subsidies.

ASSEMBLYMAN ESPOSITO: Are there any questions from the committee?

ASSEMBLYMAN CALI: Mr. Gilhooley, would you please explain to me when a line is being subsidized, how would that line ever lose the subsidy as long as it kept running? Under any circumstances, how would that line lose the subsidy?

MR. GILHOOLEY: One way would be if the equipment on the line were improved and if ways were found to attract more passengers to it by, for example, permitting the operator to cut the fare by a dime or fifteen cents and try and bring more passengers to it so that the increase in passengers would offset the loss in revenue by the increased fare. That is one way.

I must tell you, frankly, it has been tried throughout the country and I know of no area where that has happened, although there has been a really dramatic and substantial increase in the number of riders, for example, in Atlanta and San Diego. Those are two that occur to me.

The only other answer that I can give you is, if the riding on that line becomes so light that it is no longer in the public interest and it is determined by the policy-makers of the State that the service can be discontinued, then it should be discontinued. But, any effort to discontinue any service - and believe me, we have been through this many, many times, whether with the PUC or the COA - even if the line is-- Without going into any specific names, we all know that in some of the major cities of New Jersey, after a certain time at night, you see empty buses running around with nobody in them but the driver. Now, you make an effort to cut back headways - now, everybody knows it - and you go before the appropriate agency and the pressures are built and you are not permitted to cut it out. And then they say, "Well, you are running an inefficient operation." Yet, everybody knows that there are no riders on there and you can't cut it out. So, the operator is caught in the middle

and he is getting zinged by the people who say "You are inefficient" and he is getting zinged by the guy who won't let him become efficient.

ASSEMBLYMAN CALI: I just look at the other small businesses in the State of New Jersey and very often someone will have an enormous input into a business, an effort that should be rewarded but for one reason or another he is failing to make money and society doesn't say to him, "Well, because you have worked hard for 30 or 40 years--"

All these independents - if they start losing money to the point where they are going to go out of business, they are going to go out of business and nobody is going to say, "Gee, here you had that line for 40 years, we have to keep paying you some money because you are not running it right, or the business isn't there."

You told me one time, I think in Trenton, that you were selling a line and that line has been losing money for however many years - dozens of years - but you had to wait until you got the right price. My God, you should have been looking to give that line away.

MR. GILHOOLEY: I got a price.

ASSEMBLYMAN CALI: I know you did. That is what I don't understand. How the hell can you get money in the sale of a business that is losing money for many, many, many years?

MR. GILHOOLEY: I just told you, I've done it.

ASSEMBLYMAN CALI: Yes. I know you have done it but who is paying for it?

MR. GILHOOLEY: The individual person -- the purchaser of the line.

ASSEMBLYMAN CALI: Are you selling the subsidy with that?

MR. GILHOOLEY: No.

ASSEMBLYMAN CALI: Why would someone want to pay you that kind of money?

MR. GILHOOLEY: Because it is exactly the same situation--

ASSEMBLYMAN CALI: A destructive competition should be denied someone who is losing money. I know in every other business in the State of New Jersey that I can think of - perhaps you can think of some - where a service station, or a hardware store, or a delicatessen is losing money and someone wants to open a delicatessen across the street to go in competition with that store, we don't say "you can't do it." We don't say, "That poor man in the delicatessen across the street, after 30 years of work, is not making any money." We don't say, "Here, come on, let me give you some money so you can continue because you have been here 40 years." It seems like we are going in a circle and there is no end.

MR. GILHOOLEY: Well, I just-- If I may--

ASSEMBLYMAN CALI: Just one more second. There was an experienced man in this field a month or so ago, in Trenton, at the hearing you attended and he called the subsidies a gift and I resented that. I went to the dictionary and some dictionarys continue to call it a gift - some don't but some do. If a subsidy is a gift, and if the State of New Jersey is handling it as a gift, and if the recipients of these subsidies are also treating them like gifts, then there is something wrong with that. You said you feel that way today too.

MR. GILHOOLEY: I do.

ASSEMBLYMAN CALI: I would like to be on record as saying that I am in agreement with subsidies as long as they are not gifts and as long as they are considered a repayment for the service that can't be done economically, or if it is a service where it is impossible to make money. Then we should say, "Here, we are repaying you for something that you have done - not that we are giving you anything." It certainly shouldn't be called a gift.

MR. GILHOOLEY: I agree with you entirely on your last point. The COA has

been moving in this direction. About three months ago, they told us that they would no longer continue to underwrite the cost of some 16 of our lines and they then told us that once they made that decision, that the jurisdiction over those lines -- they ended jurisdiction over those lines and the jurisdiction went back to the Public Utilities Commission.

Now, here are lines they, in effect, have said are not being used. Nobody is riding them sufficiently to warrant the subsidy. You can't take them off. You have to go down to the PUC and get permission. You go down to the PUC and we have hearing after hearing after hearing. People come out, the pressure is on, and we are still at this date, three or four months later, running those lines out of our own capital money.

So, while the effort is being made to insure there are no gifts, when the decision is made that the line no longer has a sociological purpose and, therefore, will no longer be underwritten by the COA, then the operator is in the position where he has to carry it himself, by law, unless and until the Public Utilities Commission tells him that he can discontinue. And, to date, we have not been told we can discontinue and it is costing us \$40 thousand a month out of our own below the line capital - that means our own, as you know, investment capital.

So, the state is moving in the direction you are suggesting but it is doing it in a way that is hurting this carrier - and I am sure there are others - very, very badly.

ASSEMBLYMAN CALI: That's all, Mr. Chairman. Thank you.

ASSEMBLYMAN ESPOSITO: Mr. Burns.

ASSEMBLYMAN BURNS: Yes. Mr. Gilhooley, you have a situation where you are forced to operate lines at a loss. The question I am asking is - and I am afraid to ask it because it is a naive question - why is there no remedy through law when you are forced to do something and lose money? The courts are based on equity. If I go to court with a situation like you have, couldn't I get a decision in my favor that I don't have to operate that line at a loss?

MR. GILHOOLEY: Let me take a minute to answer that. On the lines we just talked about, you go to court and you say, "Look, I am being forced to operate this by force of law. I am losing \$40 thousand a month. I ought to be allowed to get out." The first thing the court will say is, "Have you pursued your administrative remedy? Because if you haven't, you have no standing in court."

By that they would mean, go to the PUC and go through the hearing procedures that are set up by the PUC for such cases. We have had hearing, after hearing, after hearing, and the money is still going out the door because there is such a thing known as "administrative lag", as you know.

Now, if after the hearing procedure, it was still required by the PUC to operate these lines, then you have recourse to law and you sue the State of New Jersey on the theory of what is known as inverse condemnation. If the court finds that your property is being taken from you without due process, after you have had an administrative hearing, the court will give you damages. That is the way you have to handle it under the law.

ASSEMBLYMAN BURNS: It is that long, agonizing procedure that you are up against right now?

MR. GILHOOLEY: Yes, sir. And I am not, in any way, being critical of the Public Utilities Commission. Frankly, I think that they do a superlative job, given the enormous difficulties they have.

We, at this moment with our 16 lines and our problems, are just a very minor

part of the problems that they face when they are dealing with the massive utilities and the massive problems that they have to face. Frankly, I think they are understaffed. I don't think it is their fault. All I know, however, is that we are being very grievously hurt and I think they are aware of it and they are doing the best they can.

ASSEMBLYMAN BURNS: Do you think more rapid action is what is necessary?

MR. GILHOOLEY: Well, I think they are doing the best they can, sir.

ASSEMBLYMAN ESPOSITO: Assemblyman Rys.

ASSEMBLYMAN RYS: Mr. Gilhooley, I would just like to clarify this, is TNJ still a subsidiary of Public Service?

MR. GILHOOLEY: Yes, sir. It is a wholly owned subsidiary of Public Service.

ASSEMBLYMAN RYS: You are not divorced at all?

MR. GILHOOLEY: No, sir.

ASSEMBLYMAN RYS: How much money, yearly, does Public Service put into the Transport of New Jersey?

MR. GILHOOLEY: Well, I would like to put it the other way around.

ASSEMBLYMAN RYS: If you don't have the figures--

MR. GILHOOLEY: Oh, no, I will put it the other way around - a company goes into business to make a profit and profits are declared out of the dividends. Public Service has taken - as I recall the figures - four dividends in 50 years - four dividends in 50 years - out of the operations of the old Public Service Coordinated Transport Company and Transport of New Jersey. The rest of the money that was earned over that 50 year period was plowed back into the business for new equipment - garages, etc.

I think the question is not so much how much is Public Service putting into it, but how much is Public Service getting out of it. The answer is absolutely nothing. As a matter of fact - as I said earlier - Public Service and its stockholders and Transport have contributed - now, I hope I can make this point clearly - \$30 million of its assets to the people of the State of New Jersey, since 1970, to run this company, and to pay its debts.

I mentioned that we sold garages. This is a great deal like a father mortgaging part of his house to feed his family. That is what we have been doing. I hope that is a satisfactory answer.

ASSEMBLYMAN RYS: Yes, to a certain degree. In other words, you have a major company who is making tremendous amounts of money - and I do realize that you are sort of a separate entity from Public Service - and you are trying to do a good job, and I presume you are doing a good job. However, you are still receiving tremendous amounts of subsidy from the State of New Jersey.

I feel there should be a more proportionate amount of money coming from the mother - or the major - company.

MR. GILHOOLEY: It is not capital that we need, it is operating subsidy. And we have put up, I might say to you on that point as far as capital is concerned - we are the only company in New Jersey-- You have been reading in the paper and you will be reading a little more about it in the next few weeks, that there are 771 new buses coming into the State of New Jersey. We are the only company in New Jersey that has put up our own capital - our own dollars - to pay our 20% local share of the total cost of the buses we receive. We have put up \$5,300,000 of our own money to buy those buses.

ASSEMBLYMAN RYS: To be exact, it is \$5,349,000.

MR. GILHOOLEY: Thank you, sir. That's not a fairy tale. That is a fact.

ASSEMBLYMAN RYS: I read the figures on it. It is reported here as \$5,349,000,000.

MR. GILHOOLEY: Oh, no.

ASSEMBLYMAN RYS: That is the way it is reported here.

MR. GILHOOLEY: No, change that. The point is, we are straining as a company, and so is Public Service, to do the best job we can and to give as much to the service as we possibly can, in terms of both capital and operating expenses, but we cannot do any more than we are doing.

ASSEMBLYMAN RYS: I can understand that, Mr. Gilhooley but we are also straining in the State of New Jersey - tremendously. You know the economy has not improved to a point where money is coming in to the State of New Jersey. People are being laid off and everything else. This time I think we have to look at the economy and we have to bring the State to an upright position. That is what we are here for today. Thank you very much. I think you answered my question.

ASSEMBLYMAN ESPOSITO: Are there any other questions? (no response)

Mr. Gilhooley, I would like to ask you a question. Before you settled your last bus driver contract, you made a statement that the wage at that time was \$6.96 per hour. What is it now?

MR. GILHOOLEY: \$6.96 per hour.

ASSEMBLYMAN ESPOSITO: What is it now with the new contract?

MR. GILHOOLEY: \$6.96 per hour.

ASSEMBLYMAN ESPOSITO: What was it before?

MR. GILHOOLEY: \$6.96. The contract that we made provides for a 3% increase on July 1st of this year and another 3% increase on December 1st of this year.

ASSEMBLYMAN ESPOSITO: In other words, they are going to get, by the end of fiscal '76, 6%?

MR. GILHOOLEY: 6% - They will be getting this at the rate of 6%.

ASSEMBLYMAN ESPOSITO: That will be another 42¢ an hour, wouldn't it?

MR. GILHOOLEY: Well, at the rate of 42¢ per hour because they will only be getting the first one for 6 months - we are talking about calendar now - and the second one will be for one month.

Now, that compares, I think, most favorably with the settlements that are being made around the country in a number of the major industries. I don't think any industry in the country has had that much success in terms of wage settlements, to keep them down to 6%.

ASSEMBLYMAN ESPOSITO: Now, when you include fringe benefits and pensions, did this figure you promised to get for me when I asked you the question the last time - I haven't gotten it yet--

MR. GILHOOLEY: I am sorry you haven't.

ASSEMBLYMAN ESPOSITO: I asked you the last time.

MR. GILHOOLEY: I know you did. I am sorry you don't have it. I assure you, you will have it within the next couple of days.

ASSEMBLYMAN ESPOSITO: Do you have an idea - an estimate--?

MR. GILHOOLEY: No, I haven't an idea at the moment but I would like to just suggest to you that there are-- Under a new nationalized pension law called ERISA - I don't know what that means but it is a mandatory pension act - it says, in effect, that those companies that have pension plans must do certain things with respect to them. It must have certain vesting provisions and if they didn't have them, they had to move to provide them. We didn't have them. This is terribly expensive. They had to be funded within a certain period of time. We had a 50-year funding in our plan. We were required to reduce that back to 40, which was another enormous cost.

So, we have had pension increases. I think the amount is in the neighborhood of -- I think it is somewhere in the neighborhood of between one-half million to six hundred thousand dollars a year. But, those were increases that were required to meet

the requirements of the new Federal Pension Act. There were no increases in pension benefits given. I am not proud to say that. I think that our men ought to have a decent pension system. I think all of us, in our old age, ought to be able to face it without care. But, we simply were not in a financial position where we could do anything more than comply with the requirements of the Federal Act. And the union accepted that.

ASSEMBLYMAN ESPOSITO: I read something about the -- When the bus driver loses his job, is he guaranteed 6 years' wages?

MR. GILHOOLEY: No, sir.

ASSEMBLYMAN ESPOSITO: I thought I read that in Chapter "something" of UMTA - or something -- the requirements of UMTA?

MR. GILHOOLEY: Oh. Well, let me explain.

ASSEMBLYMAN ESPOSITO: I can't understand that.

MR. GILHOOLEY: It is a lot worse than that.

ASSEMBLYMAN ESPOSITO: It is unimaginable that a bus driver is guaranteed 6 years' wages.

MR. GILHOOLEY: Well, if you will give me a minute or two, I have some experience with this problem because it exists not only here but it exists on the railroads. I would like to say - I think with some sense of pride - I was one of the ones who incorporated and organized AMTRAK and I sat on the Board of AMTRAK for three years. The fight there was to keep the unions from getting lifetime protection once trains were taken off. As a result of that, the best we could get, with the Congress on the side of the unions and the administration fighting it, would be up to six years' protection for anyone who lost his job as a result of what they call "trainoffs" on AMTRAK.

Now, coming to the bus side, what happens is this - and the principle is fairly sound, it has been abused but it is fairly sound - the unions say that if you use Federal money to come in and build a mass transit system - let's say a rail system - and it competes with a bus system and knocks the bus system out - as happened to us in South Jersey with the Lindenwold line - you really ought not to be able to do that without taking care of, in some fair and equitable way, the jobs of those people who have been working on that bus line for many, many years. Therefore, if any Federal capital monies are brought into the State of New Jersey to buy new equipment or to build new systems and as a result of that people are thrown out of jobs, those people who are thrown out of jobs have a right to go before an arbitrator and receive protection for up to 6 years, depending upon their seniority. The basic reason is the impact of the Federal money, which is, their own tax dollars, because of the use made of it, threw them out of a job.

But, that only applies in a very narrow area, where they lost their jobs as a result of the incursion of Federal funds and the way the State of New Jersey used them. There is no protection in our contract for any six years though if a fellow loses his job. There is a provision which is in every responsible and modern labor contract of severance pay - if you go out of business, you pay a certain amount of money to an employee. For instance, in our case, I think it is \$80 for every year the employee has served the company, over 5 years. That is severance pay. That is not an annual salary, which is what you would get under the other provision. That is a severance pay provision, which most major companies have now in their contracts.

ASSEMBLYMAN ESPOSITO: We - the Assembly Transportation and Communications Committee - are, at the present time, criticized. The press has said that there are inadequacies and inefficiencies in the bus subsidy program and that we are sitting on

our rump and we are not doing anything about it, and this is the reason for today's hearing.

I intend - and I think it is the consensus of the committee here - not to pass on any legislation that is before us today, but to recommend a task force fact finding committee, composed of representatives from the subsidized carriers and unsubsidized carriers, people who represent the public, who have expertise in transportation, and to include also some of the Assemblymen who serve on the Transportation Committee. Would you be willing to serve, if you were asked, on that factfinding commission?

MR. GILHOOLEY: I have served the State of New Jersey before and I would be happy to serve it again.

ASSEMBLYMAN ESPOSITO: Thank you, Mr. Gilhooley.

MR. GILHOOLEY: Mr. Chairman, before I leave the stand, I again want to apologize for not having furnished you with the information that you asked for. I thought it had been furnished and I assure you that you will have it within a week.

ASSEMBLYMAN ESPOSITO: Thank you.

Morris Drogin, South Hudson Bus Company.

M O R R I S D R O G I N: My name is Morris Drogin. I am an Attorney at Law of the State of New Jersey and I am appearing here today as an attorney. I do have affiliation with South Hudson County Boulevard Bus Owners Association and have been affiliated with the Association and Drogin Bus Company for over 25 years.

As an attorney, I specialize in representing clients who are in the bus transportation business. I have appeared before the Public Utility Commission in rate cases and transfer cases. I have appeared before the Department of Transportation. I represent companies that are on subsidy. I represent companies that are not on subsidy.

I don't want to repeat anything that has been said here today but there is one problem that has not been raised. The unsubsidized companies are under the jurisdiction of the Department of Public Utilities and I don't know if they are aware of it but they are sitting on a time bomb - and that is the Sand Rate case referred to by Mr. Jacobson this morning.

A subsidized carrier can go to the Department of Transportation and theoretically they could be made whole by receiving a subsidy, but there is no provision for depreciation or profit.

The unsubsidized companies, if they run into a loss, have two alternatives: One, they can go to the Department of Transportation to apply for a subsidy, or, two, they can go to the Department of Public Utilities, under whose jurisdiction they are today, and ask for a fare raise.

But, under the Sand Rate case, in order to qualify for a fare case, a company must establish a rate base. Now, there is no way that an independent bus company that has one bus can establish a rate base. As far as the Public Utility is concerned, a franchise can be capitalized for \$1,000. A man can have 40 years in the business but as far as they are concerned, for a rate base purpose it is \$1,000 and if he has a bus which is 10 or 15 years old, it has been fully depreciated. So, when he goes in for a rate base, he has an investment of \$1,000 on which to build a base on which he is entitled to a profit.

Now, up until the Sand Rate case came out, the Department of Public Utilities had authority on a temporary basis to give you a fare increase, based on an operating ratio, predicated upon your receipts. You took in \$40,000 in receipts and they allowed you to make \$5,000 profit. But, today, without a rate base, you have to come in under a very limited exception.

Now, if any man in this room - and it is coming up on them very fast-- They

sat in this room this morning and talked about "they could make a profit". But, with creeping inflation, by next year - I have seen the figures - they will be running at losses.

Now, in order to qualify for a fare increase under the rules today - under the law today - they must show that they are operating at a loss and if they get the fare increase, they will still show a loss. I am referring to the gentleman on the right who mentioned the #38 line in Kearny. I represented - that is the Will Morris, Inc. -- I handled that fare rate case. I started that case two years ago. The case was heard. The man has one bus. We had to pay \$500 to the Public Advocate who went in and did a very nice job. He tried that case as if he were trying a TNJ case. And then, in the middle of the case, the Sand Rate decision came out, so after six months the case was dismissed without prejudice.

I then reapplied, last July. The case went on the docket in September. It was adjourned until October. I got a decision last week. It was a favorable decision. The decision said that the performer shows that anticipated revenues, at the present revenue, will show a \$14,000 loss, but if we give you the fare raise you will only have -- you will pick up \$10,000 in receipts and you will now only have a \$4,000 loss, so we will give you the increase. So, now, for the next several years, he is starting with a \$4,000 loss and when he reaches \$10,000 and he is still in business, or hasn't gone on subsidy, then we can go back to the PUC.

So, I am therefore submitting that, in addition to the legislation that is proposed here today, this committee consider drafting legislation rescinding the Sand Rate case and provide that independent bus men will be allowed a profit, based on the amount of revenue they take in. That will keep them all off subsidy.

Now, the purpose of this committee is to investigate the subsidy program. Unless this is done within several years, all the rest of the companies in New Jersey will be on subsidy. Thank you very much.

ASSEMBLYMAN ESPOSITO: What suggestion do you have to make to make the PUC hearing process more effective?

MR. DROGIN: I think under the Constitution even a criminal today is entitled to a fair and speedy trial. There should be a regulation that, when you file a petition, they should give you a hearing within 30 days and they must be mandated to give you a decision within 90 days - 60 or 90 days. And, if they fail to give you a decision, then your petition should be automatically granted, or it could be drafted on an emergency basis. But there should be no reason why you should wait six or eight months - or nine months - from the time you file a petition. If you are in trouble and you need something done, you can be out of business before you get a decision.

ASSEMBLYMAN ESPOSITO: You made recommendations about legislation for the Sand Rate case. You don't have a prepared statement, do you?

MR. DROGIN: I have no prepared statement.

ASSEMBLYMAN ESPOSITO: You can forward that information and what you are requesting to the staff aide to our committee, Larry Gurman, and we will insert that information as part of the record.

MR. DROGIN: I can prepare that statement.

ASSEMBLYMAN ESPOSITO: Are there any other questions? Assemblyman Burns.

ASSEMBLYMAN BURNS: I am inclined to agree with the attorney that we keep coming up with this long period of adjudication to get a rate increase by these companies and they realize a loss all the time they are waiting for it. What is the big hangup - to put this as directly as I can - in getting your request on a rate increase to offset your expenses?

MR. DROGIN: Well, the law has to be changed so the PUC will have authority to grant it, the way they used to have it.

ASSEMBLYMAN BURNS: How did they used to do it?

MR. DROGIN: They used to give it under a section of the law which they interpreted - they had authority - to give you a temporary increase which, in effect, was a permanent increase.

If you could prove that you were losing money, they would then allow you, say, 5% or 6% profit, based on the receipts you took in, if you couldn't establish a rate base. But then a case came up and it went to the courts and the court held that they had no right to be doing this. Then it went up the Appellate Division - up to the Supreme Court - and all the courts unanimously decided that the Board had no authority to do this and that they had to follow the procedure set down by the courts. The only remedy for that would be a change in the law.

Now, from my experience, as an attorney, we used to ride on the coattails of TNJ because when they were under the jurisdiction of the PUC, if something like that happened the TNJ would move in with all their competent legal staff and something would have happened. But, now, the only ones left under the PUC are the unsubsidized carriers - the independents and they have not had the clout or the ability to be able to have this law changed.

ASSEMBLYMAN BURNS: When a man loses money for 9 months - in the case you cited - he can't make these fares retroactive?

MR. DROGIN: No way.

ASSEMBLYMAN BURNS: The day he gets his okay to go ahead and increase his fares to offset that added expense is the day he starts--?

MR. DROGIN: And he is starting with a loss to start with when he gets his new revenue. There must be a loss or break even, but there is no provision that he is entitled to make any money at all. There is no incentive whatsoever.

ASSEMBLYMAN BURNS: And it is quite possible when he does get his increase in the 9 months to a year period - whatever is involved - he could be at another stage where he is continuing to lose money.

MR. DROGIN: Well, his losses will increase, based on inflation. We are living in an inflationary period. It may slow down but this year we still have 6% or 7% inflation.

ASSEMBLYMAN BURNS: I just wanted to make that point in the procedure clear. It doesn't seem to be very fair.

MR. DROGIN: The situation is inconceivable but there is no provision for an unsubsidized carrier today, once he starts going into the red, to offset the losses, except by going on subsidy.

Now here is a way that if the independent carriers, when they start losing money, can increase their fares to move up to the subsidized carriers can stay off subsidy because it has been shown that an independent bus carrier can operate much more efficiently than a large carrier.

ASSEMBLYMAN BURNS: That is all I have to ask. Thank you.

ASSEMBLYMAN ESPOSITO: Are there any other questions?

(no questions)

Thank you, Mr. Drogin.

MR. DROGIN: Thank you very much.

ASSEMBLYMAN ESPOSITO: Thank you, Counselor Drogin. This afternoon we are honored with the presence of our colleague, a man from Hudson County, Speaker Joe Le Fante. He has a brief statement to make. I would like to introduce the Speaker of the Assemblyman, Joseph Le Fante, who is doing a terrific job for Hudson County, and the State of New Jersey. Will you kindly give him an accolade? (Applause.)

J O S E P H A. L E F A N T E, JR: Thank you, Mr. Chairman, Assemblyman Cali, Assemblyman Burns, and my good friend Gus. Is it true you are going to move to Hudson County?

ASSEMBLYMAN RYS: Yes, sooner or later.

ASSEMBLYMAN LE FANTE: I apologize for being late. I know I did promise I would be here earlier, but I have been tied up at other meetings. I do not have a prepared statement, but with your permission, I would like to, if I may, relay to your Committee and the public as well the sentiment and feeling of our colleagues in Trenton.

I have spoken to many of them on a one for one basis, head to head, and I am sure I speak for the majority. Primarily, what inevitably brings up the subject all the time is budget time. And I don't mind telling your Committee and the public that there is a great deal of reluctance when the time comes to appropriate transportation subsidy funds. And that is based, primarily, on a number of issues that we are confronting ourselves with at this present time, and I would like to take this opportunity, on behalf of your colleagues, to commend you on the job you are doing, and for going around and setting up these public hearings, so we can have some input, not only from the public, but all those interested parties.

The reluctance comes about because of certain figures that we familiarize ourselves with, and perhaps the inability to separate what we consider to be transit problems, transit service, transit needs, transit demands. For example, it has been called to the attention of our Legislature that many of our citizens who use the rail services, who come from very wealthy and affluent communities, who travel on a daily basis from the Bay Head-Rumson area into the inner cities to make their living, are high salary people. And at the request of your Committee, there was a breakdown that was not only astonishing but sickening, to be able to read that an individual riding the rail service from Bay Head into Newark, who is an executive in a major corporation, receiving some \$50,000 a year salary, and perhaps an expense account to boot, is being subsidized on a per head basis to the tune of about \$1100 per year. For the amount of money that the State is subsidizing the passenger rail service, divided by the heads that are using it, it is coming out to somewhere in the neighborhood of \$1100 per year.

I think this is a luxury that not only the people of New Jersey, but I don't think anyone can afford this kind of a luxury. Perhaps if we put each one of those individuals in a cab and paid his cab fare, maybe at the end of the year it would be less. Nevertheless, this is one of the reasons there is strong emphasis on, perhaps, separating bus subsidies and rail subsidies, and we are asking your committee to look into the possibility - with the legislation as available to us, and if need be introduce new legislation - of creating such a situation. We don't think it is fair to the people of New Jersey for the bus subsidy and rail subsidy to be lumped into one ball of wax and being approached and treated as a common area.

In addition to that, we begin to wonder, are we not defeating our own program? Are we not taking advantage of a situation that it was not designed to take care of, such as, are we worried about that individual in Bay Head or Rumson, or are we going to concern ourselves with the factory worker in the inner city who has no other means of transportation? Many don't even own automobiles, and perhaps if we put some emphasis on the inner city,

the rest of the State could take care of itself. It would fall into line. Now, we are concerned with servicing people, and when you talk in people, you talk in plurality, so we have to be concerned with the majority. The majorities are in the inner cities; the majorities must be serviced to go to work; the majorities must be serviced to meet their everyday needs as they arise. We must keep the cost factor in an area that they can afford as factory and office workers. That will have to come about by comparisons, and again, as a result of some of your Committee's work, I saw figures that were nauseating. To think that the State of New Jersey is subsidizing a bus line that is running in competition to independent buses, giving poor service at a much higher cost, and the end result is going to destroy the entire program if we allow it to continue is unthinkable.

I have seen it not only in black and white, Mr. Chairman, but I have taken the time out to travel such routes, and I was a passenger on both lines, and I did not see any better service on the bus lines that was subsidized versus the independent, and I spoke with some of these people on the independent lines, and they tell me that they are just about making a profit and receiving 15¢ per fare less per zone, and they are making a profit, and the line that is being subsidized is losing money.

Another startling fact that I think we should be ashamed of - and when I say "we" I am talking about the bureaucracy that we are all apart of, and you and I are just as guilty as everyone else, Mr. Chairman, and the Committee as well - is when I am told that a bus line that is subsidized and presently inoperative with dead stock lying in a garage is still receiving their subsidies and they are not servicing the people of the State of New Jersey. Through curiosity we raised this question, and the answer we got was that it was a technical area, as a result of contractual obligation, the way the contracts were worded. We should be ashamed of ourselves to permit this type of English to go into these contracts; we should be ashamed of ourselves to condone this; we should be ashamed of ourselves to keep it in practice. I think this is a whole new area that has to be opened up. Whether you will do it through investigation or through legislation, it must be done, because the luxuries of the past have become the needs of today, and the needs of today will not be enough to service our people tomorrow. So what we have to do is develop a new concept of subsidizing. We must put it into practice, and we have to begin to measure what we are getting for our dollar.

As it stands at the present moment, I would dare to say that if any one of us was spending our own money, we wouldn't touch the subsidy program with a penny of it, and the taxpayers are not only demanding, they are entitled to full representation; they are entitled to know where every dollar is going; they are entitled to know that we are getting a dollar for the dollar we spend. And up to now this has been a neglected stepchild. The attention is here, and we must focus in on it. Our interest should be to satisfy the majorities' needs, and when we become responsive to their needs, and we satisfy those majorities, the rest of the State can automatically fall into line.

So, again, it is that time of the year when we are reviewing state dollars, tax dollars, the taxpayers' money. We know we are putting money into a subsidy program that has dead stock lying in garages that is not servicing our people. We know we are servicing rail lines to the tune of \$1100 per rider per year, which is ridiculous, and the type of individual it is servicing. We know all these things, and it is time to do something about it. So because it is budget time, the reluctance is there again.

I don't mind telling you, Mr. Chairman, that when I pick up a newspaper, and I read about working men being on strike for such a long period of time, and I know those families are suffering, and the company is suffering at a loss of profits and operating

expenses, but above all the people are suffering because the service is not there, and when you and I can say that there is a million dollars for subsidy, but we are not providing the service, then there is an injustice that must be corrected. And if you and I look into those areas, you will begin to read between the lines in some of the newspaper reports and you will begin to think that there are ulterior motives here, and because there is so much insincerity in this subsidy field, we cannot put our finger on it, but I think if we approach it knowing there is ulterior motivation, and knowing that we have to get a commission together that will have subpoena power, then perhaps we can get to the bottom of these things. There is no reason in the world why these men have to be on strike so long and the companies that they are striking against can stay out of operation so long, because it is the taxpayer, ultimately, in the end who suffers the most. And the people that use these services are taxpayers, and they must be considered as well.

So if I could suggest something, Mr. Chairman, I think perhaps, if time permits, a legislative commission should be formed with subpoena power to look into these matters with the intention of bringing in fresh, new, imaginative and serviceable legislation. I as the Speaker of the House assure you that it will be given priority treatment; It will come out of your Committee, and it will be posted on the board as soon as possible, and then perhaps we can get this back on the road where it belongs. Thank you, Mr. Chairman.

ASSEMBLYMAN ESPOSITO: Thank you, Joe. Joe, before you leave, first, I want to thank you for taking time out of your busy schedule. I know you are the third busiest man in the United States at the present time. The reason for today's hearing was --- last week I got a phone call from Joe's secretary, Karen, notifying me that there would be a meeting of the leadership Monday morning. When I went to that leadership meeting, I was told that we were sitting on our rumps not doing anything about the bus subsidy program. That is the reason for the hearing, because Joe was anxious to see something resolved,

We are thinking along the same lines, Joe, as you are. I think the Committee after this hearing will recommend a task force fact-finding commission. We feel it should be made up of the people in the business, the unsubsidized carriers and the subsidized carriers, also members from the Legislature, and members from the public. Thank you, Joe.

ASSEMBLYMAN LE FANTE: Very good. Thank you.

ASSEMBLYMAN ESPOSITO: I would like to acknowledge at this time the presence of the Senator from my district, who is also a member of the Senate Transportation and Communications Committee, who is here to sit in on the hearings, Senator Joseph Tumulty.

J O S E P H T U M U L T Y: I would like to say, Mr. Chairman, as Vice Chairman of the Transportation Committee of the Senate, we are very much interested in these hearings, and just at the end of the last turn of the Legislature the Senate named a committee to study the matter on the subsidy program. That report is not in yet, but we are vitally interested in this, and I would hope that your committee would make available to the Senate Committee a transcript of these hearings today.

ASSEMBLYMAN ESPOSITO: Yes, thank you, Senator. The next witness this morning will be William J. Behrens, South Orange Bus Association.

W I L L I A M J. B E H R E N S: William J. Behrens, South Orange Avenue Bus Association.

ASSEMBLYMAN ESPOSITO: Do you have a prepared statement?

MR. BEHRENS: No, I don't, Assemblyman.

ASSEMBLYMAN ESPOSITO: Proceed.

MR. BEHRENS: After observing the bills here, I think to expedite this entire program, to lessen the cost of the subsidies should be to take the present law that is in effect, on the books right now, and apply it to whatever bus lines there are competing; therefore, taking the action that the subsidized bus line should be eliminated. This

is on the books. We have a lot of bills here applying this. The other thing is, there is a bill that has been passed, and it is on the books, but there has been no action on it. We, right now, the South Orange Avenue Bus Association, we are in competition with the TNJ on the 31 line.

ASSEMBLYMAN ESPOSITO: Mr. Behrens, is there such a law or statute today?

MR. BEHRENS: Yes.

ASSEMBLYMAN ESPOSITO: To do what?

MR. BEHRENS: Where there are two competing bus lines, the one that is subsidized should be eliminated.

ASSEMBLYMAN ESPOSITO: There is such a law?

MR. BEHRENS: Yes, there is.

ASSEMBLYMAN ESPOSITO: Is there such a law, Senator?

SENATOR TUMULTY: I am not aware of it.

ASSEMBLYMAN ESPOSITO: I don't recall the statute number, do you?

MR. KUCHIN: We may have it here, I don't know.

SENATOR TUMULTY: I am not aware of it. This is very revealing. That has already been discussed with Commissioner Sagner. I hope you are right.

MR. BEHRENS: Well, there has been a great deal of publicity, Senator, on it. In fact, Senator Gewertz introduced, and he sponsored, I think, this other law.

ASSEMBLYMAN CALI: No, no, his bill is A-992.

SENATOR TUMULTY: The one that was shown to me, Mr. Chairman, will not be applicable.

MR. BEHRENS: That is my recommendation to the Committee. We, at present, are not calling it a hearing. It has been called an investigation, and we are appearing before the Public Utility Commission, and the Department of Transportation. They both have representatives there. The hearings are still in progress.

ASSEMBLYMAN ESPOSITO: Mr. Behrens, you operate the South Orange Avenue Bus Association.

MR. BEHRENS: Yes.

ASSEMBLYMAN ESPOSITO: And you run in competition with another subsidized carrier?

MR. BEHRENS: The subsidized carrier is TNJ. It is right on the same line.

ASSEMBLYMAN ESPOSITO: How do your bus fares compare with TNJ?

MR. BEHRENS: TNJ is 40¢ and we are 25¢.

ASSEMBLYMAN ESPOSITO: You are charging 25¢. Are you giving the same efficient service as TNJ?

MR. BEHRENS: Yes.

ASSEMBLYMAN ESPOSITO: Do you operate off-peak hours and weekends?

MR. BEHRENS: We operate all weekend. We operate seven days a week.

ASSEMBLYMAN ESPOSITO: Do you operate the same as TNJ?

MR. BEHRENS: With a limited service. We are in a coordinating service schedule with TNJ. So in our area we operate just as many buses as they do, but we operate week days, Saturdays, and Sundays.

ASSEMBLYMAN ESPOSITO: But you do operate at times at off-peak hours?

MR. BEHRENS: Oh, sure. We operate up to twelve o'clock at night.

ASSEMBLYMAN ESPOSITO: And you run on a profitable basis, don't you?

MR. BEHRENS: Yes.

ASSEMBLYMAN ESPOSITO: Do you run parallel with the TNJ?

MR. BEHRENS: We run on the same street.

ASSEMBLYMAN ESPOSITO: And you are telling me that your fare is 15¢ lower?

MR. BEHRENS: Yes.

ASSEMBLYMAN ESPOSITO: Will you tell me how your are able to operate more efficiently and give better service at less fare?

MR. BEHRENS: Well, maybe it is because we are smaller, and we can keep our finger on the entire line in a movement. Our garage is just a few minutes away from the line, so that if any breakdowns occur, we are able to get right out and repair them and get the bus right back on service. We certainly don't have the high salaries that the officials in TNJ have.

ASSEMBLYMAN ESPOSITO: Do you have union drivers?

MR. BEHRENS: Yes.

ASSEMBLYMAN ESPOSITO: But their scale is lower than TNJ, right?

MR. BEHRENS: Yes.

ASSEMBLYMAN ESPOSITO: Are there any further questions?

ASSEMBLYMAN CALI: Yes. Were the subsidies to be removed from that line for TNJ, and TNJ decided not to continue that line and was allowed to stop running that line, would your company be able to provide by itself equal service that is being presently divided by both the companies, both the TNJ and yours?

MR. BEHRENS: Yes, we would. We could, right from the Maplewood Loop, which is the westerly terminal, down into Wilson Avenue to Avenue L, which is the westerly terminal of the 31 line.

ASSEMBLYMAN CALI: Then perhaps the fellow who called the subsidies a gift is right. I think that should be in the record. If what you are saying is accurate, then subsidies are gifts, because you seem to have the ability to provide the kind of service that is being provided now by both companies, one of which is subsidized. You are doing an equal service at a lesser rate, not being subsidized, and, Mr. Chairman, I would suggest that there is something almost criminal in what we are doing in subsidizing that TNJ line and not allowing this man to take over the full service. And I think a gentleman of this stature should be considered to be included in these hearings or on that committee that we spoke about.

MR. BEHRENS: I would be very glad to serve.

ASSEMBLYMAN RYS: Mr. Behrens, who had the primary franchise on the route, South Orange or Public Service?

MR. BEHRENS: The South Orange independents. We were the ones that started the bus business.

ASSEMBLYMAN RYS: How many years?

MR. BEHRENS: Sixty years.

ASSEMBLYMAN RYS: And Public Service --- I am talking about sixty years ago, when Public Service was picking up routes left and right. I don't know how they ever did it, but I read the whole history on that. Is there any particular reason why you didn't take this to court and move them off the route?

MR. BEHRENS: Well, this was passed by the Legislature. There were trolley cars, if you can understand, and then there was legislation passed when they finally saw that they had to go into the bus business, because the trolleys were obsolete, and they started to buy most of the independents in Newark. There were 500 and they bought 470. There are some 30 left. We happen to have the largest independent line in Newark, which has 11 buses. The rest are scattered throughout the main routes in Newark, Central Avenue, Springfield Avenue, Clinton Avenue. All the main arteries have at least one or more independent buses on them. They realized that they were going to go expensively into the bus business, so at that time legislation was passed, and they were given the right to replace their trolley cars with two buses, or two franchises. So at that particular time, why, they were the

sole ones to appear and say how many trolleys they operated on each line, and no one checked it, and they were given unsurmountable amounts of permits which have been laying in the drawer dormant for years. They don't use them.

ASSEMBLYMAN RYS: Thank you very much.

ASSEMBLYMAN ESPOSITO: Assemblyman Cali.

ASSEMBLYMAN CALI: Do you have an application for a rate increase at this time?

MR. BEHRENS: No.

ASSEMBLYMAN BURNS: Mr. Cali has brought out what I consider an unconscionable situation here. You are operating at 25¢ and TNJ is operating on the same line for 40¢. Yet you say you can run the complete operation, eliminate TNJ without the addition of any additional equipment?

MR. BEHRENS: We would need additional equipment, sure.

ASSEMBLYMAN BURNS: Now, if you purchased that equipment to take over the slack left by TNJ, let's theoretically assume they are forced out, would the acquisition of the new equipment force you to raise the rate to the TNJ rate of 40¢? Can you theorize that for me?

MR. BEHRENS: I don't believe it would.

ASSEMBLYMAN CALI: You could still operate with additional equipment at 25¢?

MR. BEHRENS: Yes.

ASSEMBLYMAN BURNS: I don't see why we don't allow him to run the whole line. The TNJ man has left, but I wish he was here to crystalize the situation. I just can't see the justice in it.

ASSEMBLYMAN RYS: There is no justice whatsoever.

ASSEMBLYMAN BURNS: Is there anyone here from the PUC who could enlighten us on this imbalance? Is there anybody who wants to volunteer? (no response)

ASSEMBLYMAN CALI: I see a couple of smiles, Mr. Chairman.

ASSEMBLYMAN BURNS: I see them too.

ASSEMBLYMAN CALI: There is a man in the back who wants to say something.

R A N D Y B R O W N: I just wanted to say something in reference to the South Orange line. My name is Randy Brown, and I am the President of the Hudson County Bus Riders' Association. I also attend Seton Hall University Graduate School, and there is something that I think, too, as far as the rip off or gift, to ride from Penn Station to Seton Hall, it will cost you 50¢ if you get on the TNJ; to ride from Penn Station to, say, approximately about five or six blocks from where the South Orange stops at the Newark line, it only costs you 25¢, plus, if you, say, walk outside Seton Hall University, stand and wait for the TNJ bus, you might stand there anywhere from fifteen to twenty minutes. If you take two or three minutes to walk six blocks to the South Orange Bus Association, in fact they run a bus maybe every ten minutes, if that long. I mean, the service is very good. I know that as a fact.

MR. BEHRENS: Thank you. Our headway all day long is every six minutes.

MR. BROWN: Right, I didn't know the exact amount of time. I know it is very fast.

ASSEMBLYMAN ESPOSITO: There is a question I would like to ask. TNJ pays high salaries. I think the reason for the high salaries, again, is to run an efficient operation. If you were to become a big operator of buses, would you still be able to run with less fare and give the same service?

MR. BEHRENS: Yes.

ASSEMBLYMAN ESPOSITO: You think you could?

MR. BEHRENS: Yes.

ASSEMBLYMAN ESPOSITO: Now, the law that you stated was in the books, there is no such law. It is only an excerpt of the COA report. This is what this committee is trying to do at the present time, trying to translate that into the legislation and to make it a law.

MR. BEHRENS: Assemblyman Esposito, I am so sure that we have a copy of the law.

ASSEMBLYMAN ESPOSITO: That is not a copy, that is an excerpt from the COA report. That is all it is. It is not a statute.

MR. BEHRENS: I am going to look anyhow, and if it is, I will send it to you.

ASSEMBLYMAN ESPOSITO: Mr. Behrens, I received a letter from you back on December 19, 1975, and in that letter you told me - I wanted to get this on the record - that TNJ is running phantom buses, buses with only a driver and no riders on it; is that true?

MR. BEHRENS: Yes. It is due to a differential in fare. The way the schedule runs now, we do have a coordinated schedule with Public Service or Transport, and after the rush hour, our buses are brown and theirs are green, so they run a six-minute, and we are on a six-minute. We fit in between, so the coordinated schedule all day long, actually, is every three minutes. Due to the fact that we run so frequently, and we are 15¢ cheaper, the people are waiting, and there are many instances where their buses are empty, or two or three passengers, and at the same time, we can't even carry them.

ASSEMBLYMAN CALI: If he wanted to sell that line, he would hold out for the best price he could get. That's the part that is mind boggling.

ASSEMBLYMAN BURNS: That is why he is getting a profit. He knows that if somebody else buys it, he can make a profit.

ASSEMBLYMAN ESPOSITO: You run the same number of hours as TNJ?

MR. BEHRENS: We don't start as early as they do, no. We start at quarter to six. They have a few buses that start at four o'clock, but if we were to take the line over, we would run the schedule that they are running. We would start at four and instead of terminating at night around twelve, we would run to quarter after one like they do.

ASSEMBLYMAN ESPOSITO: I would like this inserted into the record, what do you pay your drivers on an hourly basis?

MR. BEHRENS: Six dollars and twenty cents an hour.

ASSEMBLYMAN ESPOSITO: In other words, about seventy-six cents lower than the TNJ?

MR. BEHRENS: Yes.

ASSEMBLYMAN ESPOSITO: They tell me they make money on route 31, South Orange Avenue, TNJ.

MR. BEHRENS: We have proven at the last hearing, and their head accountant admitted on the stand under oath, that they are losing about \$300,000 on South Orange Avenue.

ASSEMBLYMAN ESPOSITO: Where was this testimony?

MR. BEHRENS: Down at the hearing.

ASSEMBLYMAN ESPOSITO: What hearing was that?

MR. BEHRENS: The PUC hearing.

ASSEMBLYMAN ESPOSITO: These figures came from a member of the Office of Fiscal Affairs. It says in 1970 the reports of the PUC on the above on the TNJ operation - this is 1974, but 1975 we don't have. Is this up to date?

MR. BEHRENS: The last one is, '74. The '75 figures are not available.

ASSEMBLYMAN ESPOSITO: Thank you, Mr. Behrens.

MR. BEHRENS: Thank you.

ASSEMBLYMAN CALI: Are they or are they not subsidized for that line, the TNJ?

MR. BEHRENS: We believe they are. Because all the money for the subsidies goes into the general funds. They don't separate it line by line. They put it into the general funds. That is our understanding.

ASSEMBLYMAN BURNS: In other words, their whole operation is subsidized, not specific lines?

MR. BEHRENS: Yes.

ASSEMBLYMAN ESPOSITO: Thank you. Mr. Irwin Flateman, the Hudson Transit Lines.

IRWIN FLATEMAN: I am Irwin Flateman, I represent the Hudson Transit Lines, Inc., and also I am Vice President of the New Jersey Motor Bus Association.

First, I would like to thank you very much for the opportunity of being here. I think if we can talk about legislation before it finally happens, rather than after the fact, perhaps we will all be better off. I think what I will do is go down the various bills that are before us, and give you my opinion, or our opinion, on the bill.

With regard to A-992, we believe that the problem that exists is not with competition of carriers on subsidy, but exactly the other way around. We think that no carrier should be given a subsidy where an existing non-subsidized carrier is operating. Now, we have had situations in New Jersey where this has taken place time and time again. I think at the last hearing I testified that when the Intercity group, which included Intercity and Maplewood, and Orange and Black, and Northeast, and so on went bankrupt, the independent operators at that time chose to break up that entire operation, and by putting in what we felt would be operating efficiencies and eliminating duplication, we would be able to better serve the public, and in fact, at lower cost to the State.

The State of New Jersey chose not to follow that procedure. Instead, what they did, a new entity was formed called Maplewood Transportation, and Maplewood Transportation then proceeded to get subsidies by the State of New Jersey. But, not only did they get subsidies by the State of New Jersey, but existing competition still went on between operators that were non-subsidized and now certain areas of Maplewood Transportation. So, for example, while we do not run any service from Paterson, New Jersey, and Passaic, New Jersey, to New York City, the Intercity group did. And another company called Manhattan Transit Lines is also subsidized. Now, as a result of this competition, we now find that not only is the Maplewood group being subsidized, but Manhattan Transit is also being subsidized.

So, we seem to be at cross purposes between our thoughts and what we actually do. The next point that I would like to make is that no carrier should be given subsidies over duplicating routes. At present there are many duplicating subsidies on similar or near similar routes. This is costly to New Jersey taxpayers, and wasteful. As you can see, I am not in favor of A-992.

With regard to A-1388, Woodson, public operation of transportation systems have proven to be an efficient and costly method of providing transportation services. We need only look toward the cost of operations in operating New York City transportation services to understand the problem. But even more recently, Nassau County went public, and the costs far exceeded their expectations. I would like to give you some examples, if I can.

In 1972, the private companies had a budget of \$800,000 - this is for subsidies, by the way, in the State of New York, and they were granted \$800,000 which covered what they thought were their needs in being able to operate - and in 1973 MSBA was formed, which is a takeoff of the Metropolitan Transportation Authority, but only for Nassau County.

In the first five months that the private operators were in existence, they received subsidies of \$621,000. For the last seven months of 1973, MSBA, which was the authority established for that purpose, had subsidies of \$1,895,000. In the year 1974 they estimated that they were going to have cost expenditures and requirements of \$4,975,000 in order to keep MSBA in operation and rendering the same kinds of services that they did before. The year 1974 proved that the authority needed \$6,800,000. And 1975 is much, much greater than that.

It is very interesting, because while in 1972 the private operators required \$800,000 they supplied their own buses; they paid taxes to the State; they did all the things that private enterprise is supposed to do in the State. In 1974, the cost was now \$6,800,000 and there was an expenditure for capital outlays by Nassau County to the tune of \$7 million to buy out the private lines in 1973. And so, I don't believe you can travel the country and find out one authority or one state takeover that was operated more efficiently than private enterprise was able to do.

But assuming, just assuming, that we were able to work out terms of a purchase to buy all bus lines in the State, the \$25 million proposed in this bill would not begin to cover the value. It is my understanding that New Jersey DOT recently paid approximately \$13 million to Transport of New Jersey to purchase 514 buses for which Mr. Gilhooley now said \$5 million was going back and 20% on the purchase of the new equipment. Well, here the State paid \$13 million for 514 buses. Now, I don't know if you gentlemen realize the number of buses that you are talking about on a takeover by the State of New Jersey. In my opinion, it would come to several hundreds of thousands of dollars -- hundreds of millions of dollars, and not \$25 million. But let's assume that that problem was out of the way and the purchase became a reality. There would still be a tremendous liability on the part of the State in unfunded pension programs of some of these companies that could amount to an additional few hundred million dollars. I don't know what the current figures are, but for example, in Transport of New Jersey alone, I once heard an estimate where they had unfunded pensions of approximately \$75 to \$80 million. That is just one company alone.

And if the State were to assume this takeover, certainly they would have to assume the obligations of taking care of whatever pensions were involved, not only to TNJ, but for the Maplewood group, and many other companies that have not funded their pension programs. But assuming that even that were out of the way, it would be unrealistic to think that once the State takes over all transportation in the State, that all employees of these various companies can be treated differently. The new cost would be predicated on the highest labor contracts, the highest fringe benefits, and the greatest cost of living clauses. It would then follow that the cost to the State would be many hundreds of million dollars higher than they anticipated.

With regard to the coordination of services, which is one of the items mentioned in the bill, I believe the state has the ability to mandate that now. And where it may take some small dollars to accomplish, it becomes available.

On the proposed bill, A-1660, Baer, while we have no quarrel with a proper study, it seems that these problems have been studied to death. But if the committee feels that a study is to be made, it should be a meaningful study. And it should be done by people who know transportation. The study should be non-political, and while it should be supervised by a designee of the Legislature, the input should come from people who are in transportation, who make their living through transportation, and hopefully these people will approach the problems with unselfish motives.

With regard to Senate Bill 523, Horn, I agree with Senator Horn that the 1,200,000 daily bus riders are not getting equal treatment with rail passengers with respect to subsidies.

With regard to the concept of a State takeover of transportation systems, I believe that would be a horrible mistake. I am opposed for the same reason I was opposed to Assembly Bill 1388. To believe that the State can do a better job than private enterprise given the same tools is fallacious. History proves this, and you only have to look at any public transportation system in the United States, and compare their costs with that of private enterprise. I do believe that we have a basis for a fine transportation system in this State. It is one that is having difficult times, but the difficulties will not be solved with a band-aid approach, but by a comprehensive plan put together by people in the transportation industry knowledgeable of transportation needs, and with unselfish goals. It will have to include the cooperation of the Legislature in the necessary tax reliefs needed from both the State and Federal governments. It will require the cooperation of the Port Authority reducing toll costs to bus companies using the bridges and tunnels. It will mean substantial reductions of charges by the Port Authority with regard to bus operations using terminal facilities that are serving people in the New Jersey and New York areas. And it will mean a realistic approach to what areas should be served, and to the extent of service rendered. It will mean examination of our present subsidy program, to see where duplication exists and where inequities exist, and after these and other programs are evaluated, we may be surprised to see what will then be needed with regard to a subsidy program, and if at that time a determination is then made that subsidy funds are needed, the funds must be distributed in a manner that would be an incentive to bus companies to encourage good, private operations to operate with the highest degree of efficiency. It should not be used by the inefficient as a tool to be more inefficient. The bus operators must be required to get a proper price for all off-route work. Their prices should cover all costs, including capital expenses and various other costs and taxes. Even though some of these may come from capital grants. State funds should not be used to subsidize off-route work.

With regard to Senate Bill 1199, Dodd, we believe and agree that there is a highly inequitable and inefficient subsidy program in the State of New Jersey. We also agree that the regulation of transportation should not be split between two agencies, but I am not convinced that even New Jersey DOT or New Jersey PUC is sufficiently organized or ready to undertake this effort. I see nothing from either agency of an efficient, sound transportation policy, one that will have helped insure the private enterprise system in this State.

I agree with Senator Dodd that the subsidy program in our State offers no incentive to improve or expand services. I believe our subsidy program to be regressive rather than progressive. But bus operators in the State would prefer to be profitably operated without subsidy. It may require some assistance, as outlined before, through the elimination of burdensome taxes and reductions of onerous Port Authority charges, and elimination of waste and duplication. Once these savings are effective, a determination can then be made if financial assistance is needed, and if assistance is needed, it must be fair and equitable.

A major problem with bill S-1199 is that it is impractical to ask operators to bid on short term programs where large, capital expenditures are necessary. In order to do an efficient job in bus transportation, you require a fine organization, a good facility to properly maintain your equipment, and good equipment. Unless an operator has an incentive that he is building an ongoing business, capital will not be available to develop this type of an organization.

I hope I have been somewhat helpful. I have been in the transportation business now for some 24 years. I have seen New Jersey have the finest bus operators in the country. I see no reason why we shouldn't have the finest bus operators in the country again. But it won't be done by wishing, and it won't be done by surveys and studies with people who know

nothing about our problems or the needs of the public. And it won't be done by politicians trying to serve everybody, even in areas where no service is truly needed. I thank you.

ASSEMBLYMAN ESPOSITO: Mr. Flateman, I am looking at some figures here. You represent the Hudson Transit Lines?

MR. FLATEMAN: Yes.

ASSEMBLYMAN ESPOSITO: At one time you were receiving subsidies, and now you are not in the program; is that correct?

MR. FLATEMAN: No, that is incorrect. Hudson Transit Lines has never received subsidy.

ASSEMBLYMAN ESPOSITO: I don't know where these figures came from, but it says for the total fiscal year, 1976, Hudson Bus Transit Lines---

MR. FLATEMAN: There is a Hudson Bus and we should not be confused with them.

ASSEMBLYMAN ESPOSITO: They say, "Not in program." They have \$573,000 allocated through fiscal year '76. I think it is a mistake.

MR. FLATEMAN: It is a mistake. That is Hudson Bus. We are Hudson Transit Lines. We operate out of Bergen County. We are commonly known as the Short Line Bus Company.

ASSEMBLYMAN ESPOSITO: You are an unsubsidized line, right?

MR. FLATEMAN: We are unsubsidized.

ASSEMBLYMAN ESPOSITO: You know, I think that you have given us some information, and some recommendations that are highly enlightening and revealing, and I feel that I am in complete accord with you that if we are going to do a study, it has to be done by the people in the business. I agree one-million percent with you on that one point.

I would like to ask, if we do recommend the task force fact-finding commission, would you be willing to serve on it? I am not asking you to serve on it, because we don't have the power to do it, but I would recommend you.

MR. FLATEMAN: I would be most happy to serve, and I would be most happy to make those members of my company who we feel can do some good to join us.

ASSEMBLYMAN ESPOSITO: We want to do studies free of charge. We don't want to burden the taxpayers with any more study and consultant fees. I think these figures have gone up astronomically, not only with the bus mass transit program, but we conducted a lot of studies for highway construction. I think there are millions and millions of dollars that are being paid every year by the Department of Transportation for studies. I personally feel it is a waste of the taxpayers' money.

MR. FLATEMAN: I would be most happy to serve.

ASSEMBLYMAN ESPOSITO: Now, in your opinion, how many subsidized bus routes can be eliminated without sacrificing the quality of service in the State of New Jersey?

MR. FLATEMAN: Well, in the area that I am most familiar with, you have service out of Paterson; you have service out of Passaic, and there are bus lines that run --- I don't even want to talk about our company, because, again, it becomes self-serving. I think there are certain portions where Orange and Black and Transport even compete with one another in certain segments. I think that is part, really, of what the study would have to be, and I think substantial amounts of dollars could be saved by the State if we came up with that kind of a realistic approach.

ASSEMBLYMAN ESPOSITO: I think you are wrong when you say you don't want to talk about your own company because it will be self-serving. The thing is this, you are operating without subsidy, and you are giving service.

MR. FLATEMAN: We give service along route 17. There is part of the Intercity, or what is now Maplewood, that services areas about two or three blocks away, or certain

areas that may be a little longer. Most of the people who come to us now do not walk to our facilities.

ASSEMBLYMAN ESPOSITO: Are your fares the same as the subsidized carriers?

MR. FLATEMAN: Well, our fares are similar. But speaking of fares, I would like to make an observation which has nothing to do with bus against bus, but, for example, the Erie Railroad - and these are commutation books - which is very highly subsidized has a monthly book for which the per trip ticket to Hoboken, and then the PATH across the river runs \$1.45. Our 40 trip book, which is approximately the same in duration, runs \$1.17. Ho Ho Kus, the Erie's fare is \$1.47; our fare is \$1.22. Waldwick, Erie's fare - and again I am including the transfer of 30¢, you know, to get across the river - is \$1.40 and our fare is \$1.25. And the Erie Railroad is very, very heavily subsidized.

I think if we take a look at the subsidy program, I think we ought to look at the entire program, because the determination must be made with you people - it can't be made with us - as to what becomes a realistic subsidy, if in fact you have to subsidize. I am going to digress a little, but I think it may make a point. They are not talking about deregulation of certain airlines, because they realize that what will happen is that the short service areas will no longer be served by the major airlines, so they will say, "How are we going to service them now?" And what we better do is get trunk lines or commuter lines to service the people. Except, this is very interesting, they talk about subsidizing these commuter airlines, not bus lines, but airlines, if they carry five people a day or more.

Now, if we follow that policy, we ought to take everybody out of Fords and subsidize them to Cadillacs. My contention is, if there is a bus line that can take care of the people on that short trip, then the hell with servicing a commuter airlines. Put them on the buses, and let the buses start to show a little bit of profit, and let it be an incentive to people to want to get into the bus business, and want to invest their money in the bus business.

ASSEMBLYMAN ESPOSITO: What do you think about the value of establishing a bus authority?

MR. FLATEMAN: I am always concerned about these so-called bus authorities, because I think if we have a public utility commission or a department of transportation that is really doing the kind of job that they should do. They in fact should be the overseer of your transportation requirements. I told you, I am opposed to a two-level system where the operators don't know where to go and who to talk to and what to do, and it is a different ball game when you go to this office, and it is another ball game when you go to this office. We are confused as hell. So I think that there has to be one authority who would control us, and you can call it anything you want, as long as they are knowledgeable about the problems, and they are ready to do something. I can't -- you know, it annoys me to hear somebody say, "Well, the law may be bad, but it is the law." Well, if that law is bad, then somebody ought to change the law. Behind my desk there is a saying, "If you are doing the same thing now that you have done 20 years ago, the chances are you are doing it wrong." Well, if we have statutes on our books that cause a bus operator to wait one year in order for him to get a fare increase, we ought to change the law. We ought to change the statutes. If there is another law which doesn't permit him to get a fare increase because he can't develop a base, then we ought to do something about changing the law and not say we can't do anything because that is what is on the books.

ASSEMBLYMAN ESPOSITO: Another question I would like to ask you is, does your company provide in off-peak hours and weekends the same service as the subsidized lines?

MR. FLATEMAN: I would say that we probably do. I really don't know, but I can tell you this: We provide the service that is needed. We are not going to provide the service that isn't needed, because if we do, then we have to come to you people and say,

"Okay, here is our hand." We provide what service we feel is needed in our territory. Let somebody come and tell us that there is a requirement for additional service, and we will be most happy to put on the additional service. Because, basically, what is our business? Our business is to carry people and to show a profit at the end of a year. We are not ashamed of showing the profit. We think we are entitled to it. We have a tremendous investment, and that is the name of the game. And as we show returns for our money, so we will give better service, and as those returns diminish or go to nothing, we are going to give less service.

So our goals are really no different than your goals. It is to serve the public and show a profit at the end of the year, a fair profit, a realistic profit, without gouging the public, but nevertheless, to show a profit. We think we are entitled to that, because if we are not, we might as well take these assets that we have, which total many millions of dollars, and put them into some tax free bonds, and all trudge off to Florida and wait for the checks, or whatever place you choose to go. We work very hard in our business. We work very long hours in our business, and I think we are entitled to a fair return, no more, but a fair return.

ASSEMBLYMAN ESPOSITO: Mr. Flateman, this is a hypothetical question. Let's assume that tomorrow morning you could take over the subsidized bus lines. Would you be able to give the same service, if you were to take them over, and operate at the same price that you do now?

MR. FLATEMAN: Well, because it is a hypothetical question, the answer that I give you - and I have to be honest with you - would be meaningless. I would have to really take a look at the figures. I would have to see what services we feel would be necessary to render. I would like to think that our company is just as big as any company in transportation in the United States; and, therefore, I would like to think that if anybody could make a profit, we could make a profit. But the answer that I would give you would not be one that I could back up at this time, and I just wouldn't want to do that.

ASSEMBLYMAN ESPOSITO: Then you are admitting now that there are some lines that are dogs and are not profitable, no matter who runs them?

MR. FLATEMAN: I will say this: In the entire State, there have to be some bus lines that are being run now that are unprofitable. There has to be. It would be unrealistic to think that every single bus line out there can make a profit on their own. Now, in the free market economy, what would really happen? I would examine the bus lines, and if I saw it couldn't make a profit, I would abandon or attempt to abandon the service.

However, maybe, just maybe, that service should be abandoned, but as I have explained here, let's assume now that the service should not be abandoned, then somebody should be willing to aid me in performing that service. I do think that by using the other methods that I mentioned before, you know, the tax burdens, and port authorities, and all of these various items, I do think that many, many more bus companies would be able to operate profitably than are now able to operate profitably. That is why I think if we did that, if we really in fact decided to fix the foundation of our problem rather than try to prop it up, I think we would go back to a better transportation system in the State of New Jersey. We should try to do what we did when we were building blocks for our children. If the blocks started to topple over to the left, we added the next block and put it towards the right, and that would sway it this way, and then we would add it to the left, and so on, and we just kept building it and building it until it reached the point where it would collapse. Well, that is not the way to build a transportation system. If we are going to build a transportation system, we have to do our building at the bottom. As I said

before, I think this State has a very fine basis for good transportation. I think that should be our approach.

ASSEMBLYMAN ESPOSITO: Do you think that the non-subsidy buses, and the buses on subsidy should be put under one umbrella, under one agency?

MR. FLATEMAN: Absolutely.

ASSEMBLYMAN ESPOSITO: Are there any questions?

ASSEMBLYMAN CALI: No, other than the fact that I thought he was describing our tax structure in the State of New Jersey.

MR. FLATEMAN: I have read about it, but I would rather not comment about it.

ASSEMBLYMAN ESPOSITO: Assemblyman Rys.

ASSEMBLYMAN RYS: I have a question. You run from the Oradell area and the Westwood area, the Blue Line?

MR. FLATEMAN: No, we operate down Route 17.

ASSEMBLYMAN RYS: From where, what locality?

MR. FLATEMAN: In New Jersey, we start at Mahwah. Actually our operations start north of Mahwah, but we operate from Mahwah down on Route 17, and then we also operate, of course, into the Oakland area, and down.

ASSEMBLYMAN RYS: Where do you go to New York?

MR. FLATEMAN: Porth Authority.

ASSEMBLYMAN RYS: Over the bridge?

MR. FLATEMAN: No, downtown.

ASSEMBLYMAN RYS: Who is operating the Intercity Bus Line at the present time?

MR. FLATEMAN: Maplewood, which is Transport of New Jersey.

ASSEMBLYMAN RYS: Now, the 514 buses that you talked about of Transport of New Jersey, doesn't the bill of sale revert back to the State of New Jersey?

MR. FLATEMAN: As I understand it now, - and again, this is my understanding - what happened is the State bought it from Transport of New Jersey, and then Transport of New Jersey is to give those buses back to TNJ and they will refurbish those buses, and I guess charge the state for whatever the refurbishing is, and then they will be leased to TNJ for a dollar a year per bus. So eventually ---

ASSEMBLYMAN RYS: You are going around in a big circle. All I want to know is, who will have the bill of sale to those buses?

MR. FLATEMAN: Well, I imagine the bill of sale would be owned by the Department of Transportation, the State of New Jersey. But they will lease them back to Transport for a dollar a year.

ASSEMBLYMAN RYS: Now, the other question that I wanted to ask, I know you are an authority on buses and I appreciate that very much. What about the pension plans that are inaugurated in the bus companies, are they in a separate account, or are they also used for operating expenses? This is very important to me.

MR. FLATEMAN: Every company has their own pension plan and administers that plan in their own way, so I have, for example, no idea what goes on in any other bus line. I can talk to you about our company. In our company we fund the pension plan every year, and we have funded it every year. We never, never put that money back into the company. It remains in a special pension plan. The new laws, as a matter of fact, are very, very strict as to what you can do and how much you can use pension funds in your own business, but we have never done that. The pension money is put aside. As a matter of fact, under the new pension laws, the trustees are held fully liable should there be any nonsense between the pension fund and the way the money is distributed.

ASSEMBLYMAN RYS: I think you answered that question very well. Thank you very much.

ASSEMBLYMAN ESPOSITO: Thank you, Mr. Flateman. The recommendations you have given to this committee will be very helpful. We thank you for coming down here to testify before this Committee.

MR. FLATEMAN: I thank you for asking.

ASSEMBLYMAN ESPOSITO: The hearing will recess for fifteen minutes to allow the reporter to change her paper. We will reconvene in fifteen minutes.

(Whereupon a short recess was taken.)

ASSEMBLYMAN ESPOSITO: Mr. Samuel Hollands, representing the New Jersey State Legislative Board Executive Committee.

SAMUEL H. HOLLANDS: My name is Samuel H. Hollands. I am the General Chairman of the United Transportation Union. I am here representing the Local 1558. I want to go on record saying the previous speaker, Mr. Flateman of the Short Line, gave all the thoughts that I had in regard to each one of the bills, 523, 992, 1199, and 1388, and 1660.

I happen to represent one of the companies in the State of New Jersey that is not under the subsidy program. My interest in the subsidy program is from a contractual standpoint and in proving so, it is to give the company the wherewithal to gain the passenger revenue out of the fare box to support contract negotiations which are needed from a monetary standpoint without having to depend upon the State for any handout or gifts when it comes to a labor agreement.

It is through the state subsidies that these other companies have received that they have fallen behind prior to previous negotiations at a dollar and one cent per hour. I would say that if it wasn't for our charter department and the special work that we do, there are many, many lines that run through the midday and evening, so that service would have to be curtailed because of the lack of ridership. The TNJ, our direct competitor, can afford to keep their buses out there, since they are being subsidized to the tune of \$21 million cash flow, and we are strictly working out of the fare box, and if it wasn't for certain factors that are in the picture to keep these buses running, we would have a furlough which would start with bus operators and go right on down to our maintenance department and go as far as our ticket sellers and our clerical workers.

I am not here to talk too much in regard to what lines compete against each other in regard to franchise rights and contractual rights, but as a union representative I can see chaos in bill 992 where the bus company's prior rights would be disregarded from the franchise standpoint, and whereby the State could award to whatever bus company the lowest bid to operate the particular route. It would entail continuous contract negotiations, and it would be a constant turmoil no matter which way you turned. Instead of being remedied, it would become a situation of opening Pandora's box, and have a tiger by the tail, and you could never get it back into the cage. I feel that our company without the subsidy has done everything within their reasonable power to cooperate with this union in our recent negotiations. Our contract was up on April 3rd, midnight, and because of the other companies having settled for 84¢ instead of \$1.01 an hour, which was the cost of living given to them in the past two years, which they enjoyed over the last 13 or 14-month period of the contract,--- I am not sure, but I think the Bureau of Statistics figure is \$17.82, which gave TNJ \$1.01 over the original \$5.95 they had negotiated.

I appeared at a public hearing in Hackensack, New Jersey, on behalf of the United Transportation Union, which affected at that time the Intercity Bus Company which is now the Maplewood Equipment, whereby the State of New Jersey wanted to take away the

Route 50 that would operate from Hackensack to Oradell. Now, the Intercity operation at that particular time was over \$1 less an hour than the TNJ, yet the State saw fit to take it away from Intercity and give it to TNJ as one of their "B" lines. I am not familiar with the exact number. And when you see all these things happening around you, and you know that you could possibly be forced into some sort of a transit authority or a take-over by the State, and you have five contracts hanging that have not been settled yet - and in fact as late as this past Monday, I gave our management a day-by-day extension to operate, because I have the authority to strike my men any time I want to as of right now.

On top of all this, TNJ is getting this \$21 million cash flow, and they have just been granted a 10% fare increase rounded out to the highest nickel. Intercity has also been granted a 10% fare increase, and, of course, we don't handle that many intra-State passengers that it would make that much difference dealing with the PUC to get that type of fare increase, so we have to go to the Interstate Commerce Commission and apply for our fare increase to justify the contractual labor costs that these contracts are going to cost my management. We were notified about three or four weeks ago that we were turned down the 8% fare increase that we requested. The company had made application for an 8% fare increase to justify the labor costs for the coming negotiations. It was before the Suspension Board for three and a half weeks for review, and it passed unanimously. It was given down to the Division II, Board of Appeals of the Interstate Commerce Commission, and in two days, they called us collect, and told us that it was unanimously denied. We sat from nine o'clock in the morning until six the following morning in a quandary as to what to do and how to do it, because of the financial condition of my management.

Upon receipt of the denial, the management immediately refiled an appeal. I sent a letter of transmittal with a letter of protest on the union's behalf requesting that the 8% fare increase be granted, that it was necessary to justify and satisfy the contractual obligations that the company would have to meet. We had all the bus operators, full maintenance department, all of the dispatchers and ticket sellers and all the clerical workers in the United Transportation Union. Letters of protest, of course, come in on every company that applies for an increase, and we always expect that hurdle to be crossed. If for some unknown reason they just don't see fit to go along, now we are stalemated, and the people who are under subsidies - and I have to emphasize TNJ, because they are our direct competitor - we are now on a day-to-day basis ---

ASSEMBLYMAN ESPOSITO: You say TNJ is your direct competitor?

MR. HOLLANDS: Yes, sir.

ASSEMBLYMAN ESPOSITO: But you represent the United Transit Union, don't you?

MR. HOLLANDS: Yes, sir, and they are amalgamated.

ASSEMBLYMAN ESPOSITO: You mean the union of TNJ is the direct competitor?

MR. HOLLANDS: No. I represent the Red and Tan, and the amalgamated union represents the Transport of New Jersey.

ASSEMBLYMAN ESPOSITO: You are talking about TNJ being represented by the ACU, right, and the Red and Tan is your union?

MR. HOLLANDS: That is exactly right. And we parallel the same streets, the same routes, turn the same business for \$1.01 an hour right this minute, not counting the gain that they made in their recent negotiations. In all my 35 years in the bus industry, I have never found myself in the position where contractual negotiations were in the picture and there was no where to turn, and no one to go to. We sat down in Trenton with Alan Sagner and Pete Stangl and anybody who would listen to us, and we tried to work out something for some kind of recognition, but my understanding when

I walked out of the Commissioner's office was that unless you are dripping with red, and no place to turn, you cannot get any recognition for subsidies, and because the company has the wherewithal to keep their heads a little bit above water and can justify the workers' contract which they really and truly deserve and earned after 40 years of sweating blood, you can't get recognition.

Every day that goes on we are falling deeper and deeper into a hole. Our passenger revenue has fallen. The fare box cannot support the contractual agreements that have to be met, and I can see nothing in any one of these bills - and the gentleman from the Short Line, Mr. Flateman, did excellent on this point. He said it more eloquently than I ever could - but perfect chaos, because we already have it without any of this in the picture. I just wanted to come here today on behalf of my union - my state director was unable to make it - to get on the record my thoughts. I want to get them across to you. I am not objecting to any kind of cooperation to bring everybody together in regard to the mass transportation authority, but the shoe has to fit everybody the same way. It can't be like the wage freeze - freeze the labor, and let the corporations run wild. If you are going to do it we have to all sink or all swim, and that is the way I would have to look at it. Thank you very much for inviting me here.

ASSEMBLYMAN ESPOSITO: We would like to ask you a couple questions. You are telling me now that you represent the United Transportation Union, right?

MR. HOLLANDS: Yes, sir, I do.

ASSEMBLYMAN ESPOSITO: And some of the carriers that you mentioned included the Red and Tan, right?

MR. HOLLANDS: Yes, sir.

ASSEMBLYMAN ESPOSITO: What is the hourly rate that the bus drivers get?

MR. HOLLANDS: They were getting \$5.83 an hour.

ASSEMBLYMAN ESPOSITO: What are you getting now? Did you negotiate a new contract?

MR. HOLLANDS: We negotiated a new contract. We sat there, like I said, all night with no where to go but to vote for the men, and I knew in my heart that if I voted they would go out on the street. Knowing the economics and having the full ICC reports of the company's position in front of me for the year of 1974 and 1975, to let the men go out and walk with signs and nothing to talk about would be then better for me to take the bull by the horns and keep them working and have nothing to talk about until such a time came that the fare increase, if it will be approved, will give us something to talk about. I do get a little bit on my high horse, as Mr. Capitane knows, once in awhile. At the negotiations I asked for some kind of recognition or some kind of good faith agreement, that I could go back to the membership with. I have the right to take a strike vote.

Also present at the negotiations were State and Federal mediators. He finally said, "All right, we will give you 10¢ an hour not because we can afford it, or the company justifies any profits we are making - you have the figures - but for the good faith action on both parts, I will extend that to you." It was just to the bus operators, and after another hour or so of discussion with mediation and Mr. Capitane, I agreed to give the extended 10¢ an hour to everybody involved on the full property. I took it on a handshake. We got it immediately with no retroactivity. There might have been a day or two retroactivity in the picture, and pending the oncoming fare increase, if and when we get it, we will resume negotiations.

As of Monday, Mr. Capitane asked me if I was prepared to give him another 30-day or whatever type of extension, and I told him that I would go on a day-by-day basis until I hear something from the Interstate Commerce Commission, and I am placed in a position to once again get around the bargaining table where we can get down to some hard bargaining,

to see if we can't drive home an agreement that will be acceptable, and then in all probability we will have to reapply again to satisfy the second year of the contract. That is a bridge we will have to cross when we come to it. The subsidy has jeopardized my contract negotiations unmercifully. Years ago, we sat down, the negotiating contracts and the agreements were made, and the management presented applications to the Commission projecting the costs of the labor agreements, and it was awarded accordingly. It isn't like negotiations for steel or bread. Yesterday a loaf of bread was 28¢ and tomorrow morning you will walk in the store and that same loaf of bread will be 45¢, take it or leave it. And Mr. Flateman was right when he said we apply to these commissions, and they uphold your application. The out of pocket costs could run hundreds of dollars by the time they granted the fare increase, and sometimes they find themselves worse off then before they started.

I am vitally concerned for the future of my membership in my union, and not only for the Local 1558. We have upward of 3,000 some odd members in the bus end of our representation in the State of New Jersey, and we have every railroad in the State of New Jersey. Every railroad worker in the State of New Jersey belongs to the United Transportation Union, and he is under the jurisdiction of my state director Irving Colin, whose office is at 375 West State Street in Trenton.

ASSEMBLYMAN ESPOSITO: Mr. Hollands, I am trying to be as fair as possible, but I just cannot understand one thing. When you refer to Mr. Capitane, you are referring to Red and Tan?

MR. HOLLANDS: Yes, I am.

ASSEMBLYMAN ESPOSITO: When you refer to them, you say that your men get \$5.83 and hour---

MR. HOLLANDS: \$5.93.

ASSEMBLYMAN ESPOSITO: And the TNJ gets \$6.96. That is almost \$1.11 differential.

MR. HOLLANDS: That is right.

ASSEMBLYMAN ESPOSITO: You see, I think your qualms should not be with Mr. Capitane. They should be for the TNJ and the Department of Transportation.

MR. HOLLANDS: You are right, and I have been down there six times.

ASSEMBLYMAN ESPOSITO: I think it should be inserted into the record, because anybody can spend somebody else's money. That is why the union is getting a good contract at all times. You are at a disadvantage.

MR. HOLLANDS: That is exactly right. This is why I am bringing this out today. This is the first time in my life I have ever seen a public carrier, and a new contract being supported by the taxpayers in the State of New Jersey. In the old days, up to as recently as a few years ago, it came from the fare box, and the wherewithal to produce from the charter operation and the special operation.

ASSEMBLYMAN ESPOSITO: See, this is one of the inadequacies that I see with the bus subsidy program.

MR. HOLLANDS: This is the biggest one. Thank you very much.

ASSEMBLYMAN ESPOSITO: Assemblyman Dennis.

ASSEMBLYMAN DENNIS: I just want some information. If they drive Saturdays and Sundays or in the evenings, do they get the same scale as if they drive during the day? Does it make any difference?

MR. HOLLANDS: We have our overtime rates after our eighth hour. Saturday and Sunday they are given time and a half.

ASSEMBLYMAN DENNIS: What about holidays?

MR. HOLLANDS: We have 12 paid holidays.

ASSEMBLYMAN DENNIS: I don't mean that, but say a man works on Christmas, what would he get?

MR. HOLLANDS: He would get a time and a half day. In our contract he would get one day's pay for driving, and a full day's pay for the holiday.

ASSEMBLYMAN DENNIS: What about the charter buses? Say a bus driver gets a charter bus to go down to Atlantic City, and he stays there three days. How does that work?

MR. HOLLANDS: He gets a day's pay for each day away, plus his room and his expenses, unless they are provided by the charter party. If they are not provided by the charter party, then the management must pick up the expense. It is on a day-to-day basis, and so many hours of operation, and the Department of Transportation gives him 10 hours driving time, and 15 hours on duty.

ASSEMBLYMAN DENNIS: Does the \$5.93 include any fringe benefits?

MR. HOLLANDS: No, that doesn't include fringe benefits. We have fringe benefits, yes, sir, but we have had fringe benefits for 30 years. We have seen fit to negotiate our fringe benefits abreast of our hourly rates, so at some later date we won't have to come to a standstill on an hourly rate to bring up our fringe benefits or vice-versa, not that I am blowing a horn, but I think that our union, our local, has kept abreast in that area until this great give away of subsidies upset the whole apple cart in the hourly rate area. I have no qualms with my welfare and pension.

ASSEMBLYMAN DENNIS: What about school bus drivers, are they hired by the Board of Education?

MR. HOLLANDS: We are not involved with that at all. If we were, we would take it under contract, so much a bus, so much a year, so much a day, whatever the case may be.

ASSEMBLYMAN DENNIS: Do you have any women drivers?

MR. HOLLANDS: No. We had one, but she couldn't stand the pace.

ASSEMBLYMAN ESPOSITO: You are negotiating with a contract now?

MR. HOLLANDS: Yes, I am, with Mr. Capitane.

ASSEMBLYMAN ESPOSITO: And have your negotiations been settled or what?

MR. HOLLANDS: No, sir, not yet. I can go on strike tonight if I wanted to.

ASSEMBLYMAN ESPOSITO: See, what you are trying to do is do the same thing that the TNJ union is trying to do, going after the guy with the money, because you think you can get it out of him. Mr. Capitane is not the man with the money.

MR. HOLLANDS: If I were doing that, sir, I would have been on strike midnight April third. I guarantee you, if I was after Mr. Capitane's own personal money, there would have been a real turn at 12:01 April third. I am not after Mr. Capitane's money. I am after the money that is available to Mr. Capitane under the proper procedures of getting it, and the recognition that is needed for the labor costs, which comes out of the Interstate Commerce Commission by granting us the necessary fare increases to offset the projected labor costs for a two-year contract. That is what I mean. I am passing it off to the riding public the same as when I buy a car or a loaf of bread, it is passed off to me. The fare box has to support the action.

ASSEMBLYMAN ESPOSITO: First, I want to impress you with the fact that I am not anti-labor. In fact, I have one of the best labor records in the legislature.

MR. HOLLANDS: Assemblyman Esposito, I am well acquainted with your record.

ASSEMBLYMAN ESPOSITO: Don't you think the time has come to forget about open end agreements from year to year? We are not in the position to raise the money any more.

MR. HOLLANDS: Are you talking about open end cost of living?

ASSEMBLYMAN ESPOSITO: Yes.

MR. HOLLANDS: I have none. I have a pyramid cost of living, and the only reason I got the higher hourly rate in my last negotiations was because I didn't have a crystal ball, and not having a crystal ball, and everybody else settling their contracts for 32¢ and 25¢ and 50¢ over a two-year period, and I had a cost of living clause that gave me 5/10 of one percent, and they gave me 2¢. So to get a higher hourly rate for the drivers of 67¢ and 72¢ for the other units, I revised our cost of living into a pyramid situation whereby we get the first 25¢ and if the cost of living didn't exceed that, we didn't get anything, and then the next 15¢ made it 40¢, and if it didn't exceed that--- In other words, the cost would have to erode the negotiated hourly rate. So I had no open end cost of living, and the ultimate result was for 11 months I was high on a hog, but after that, when the first application of their cost of living sped home with the open end, they got 52¢. They had the wherewithal to negotiate 38¢ over a two-year period on the hourly rate. We got 52¢ on the first application with the cost of living, and in the ultimate end we wound up with \$1.01 in the cost of living in conjunction with the 38¢ that they negotiated, which was \$1.39 in reality. And since then they have been granted another 84¢ over the next two-year period effective July 1, 1977.

ASSEMBLYMAN ESPOSITO: Mr. Hollands, does your union represent the North Hudson Bus Owners?

MR. HOLLANDS: No, sir. That is amalgamated, and Hudson Bus is amalgamated. We have Lincoln Transit, Lakewood, Intercity, Suburban, Community.

ASSEMBLYMAN DENNIS: I have one more question. After a strike is called, would you know--people find every means of going to work when the strike is on--what percent of ridership comes back after, and how long is it before you get it all back, or do you ever get them all back?

MR. HOLLANDS: Well, based on a strike from 1956, and I don't have the figures in front of me, but if my memory serves me right, we were out something like 58 days, and I would say that we lost at least one-fourth of our commuter operations, especially where our lines parallel TNJ. Our Route 4 where Intercity comes in and Manhattan Transit comes in, we did lose a considerable amount of ridership, and I would say it took us approximately three to four years to get back on an even keel. In a strike of that nature, you will start losing the ridership to car pools and other means of transportation, and if the fare happens to be a little lower than yours, you have one hell of a job trying to get the ridership back.

ASSEMBLYMAN DENNIS: I just wanted to get approximate figures. You would know, because you are connected with the union. Is that 25% typical?

MR. HOLLANDS: Yes. I am glad you brought that out, because it stays high in my mind to keep my people working, and that is one of my main concerns. If I can come to a satisfactory conclusion, I am here to increase the passenger revenue for this company over the far box, not to go on strike and drive it away. My theory is, when I negotiate, and I go back to work, if I lost one man's job, I didn't do a good job in negotiations. I am here to put people on, not to take them off.

ASSEMBLYMAN ESPOSITO: Thank you. Mr. Louis Riccio, Central Avenue Bus Lines.

L O U I S R I C C I O: Thank you very much for letting me speak, Mr. Assemblyman. I don't have a prepared text, but I want to speak briefly on the bills in question. Bill 992 prohibits certain competition within subsidized motor bus operations. I feel that this bill can create a real hassle in the bus industry, and I think it shouldn't be considered at all.

I am a non-subsidized bus operator, and I am in competition with subsidized carriers, mainly Transport of New Jersey, and I think it is very unfair that Transport of New Jersey is given monies on a cash free flow basis, and in reality it is hurting the independent operators of the State of New Jersey.

In one instance in particular, in the senior citizen program, where the State is subsidizing senior citizen bus rides throughout the State, the independent operator is not forced to, but he has to collect and count tickets and he is not paid for this service. On the other hand, Transport of New Jersey, and all the other subsidized carriers are paid in reality when they are given their gift or subsidy. I feel that I am, as an independent operator, subsidizing the State of New Jersey.

There are numerous other inadequacies in the subsidy program, and I think that the Committee or the Commission should take a real good look around the State, find the right people, and form the Committee. I know they can do the job if they have the right people. I heard here this morning from other people who spoke that the right people are the people in the bus industry. Take some of those people, and let those people help you to help straighten out the subsidy program. Thank you.

ASSEMBLYMAN ESPOSITO: Thank you. Commissioner Alan Sagner.

A L A N S A G N E R: I am Commissioner Alan Sagner, Department of Transportation, State of New Jersey, and with me is Peter Stangle, Assistant Commissioner for Public Transportation, Department of Transportation. I will make a brief introduction, Mr. Chairman. I would like to thank the members of your Committee for this opportunity to present some of our views pertaining to legislation in the subsidy program. We welcome the leadership that you have shown, and your deep interest in the program. You have shared with us the tribulations in the last few years. I was looking through my files in preparation for this meeting, and I think I perhaps have criticized the bus subsidy program more than the critics of the Department of Transportation have criticized it. We are not here to see if we can hock one up, but we are here to see if we can do something about the problem. I recognize that those people who have presented you with bills - some are talking about it and still have not presented them - and those people around the State who have presented their ideas through the press are certainly motivated by the same purpose, and that is to improve what we pay for and possibly reduce the cost of what we are doing. We share that concern. However, we are operating now under legislation that was hastily prepared to face an emergent situation. We would like to avoid rushing into something now that might appear to resolve our problems and find that we have left a legacy to future legislatures and administrators similar to what we are facing.

We have struggled with this, and have, as you know, Mr. Chairman, and members of your committee, said before that we are going to analyze the subsidy program in depth, and Mr. Stangle is here today to present to you a description of the studies that are now underway. We would respectfully suggest to you and to members of the Senate that any legislation consideration be held in abeyance until the completion of these studies. One thing that we have insisted upon, and that is that the results of the study be available to us this Fall. Too many times elaborate studies are undertaken that take years to complete, and I think this is something we want to avoid. I don't think it would be a good idea to undertake a study now that would not have its results before the Legislature until sometime in Governor Byrne's second term. He might not have me as Commissioner of Transportation in his second term---

ASSEMBLYMAN CALI: Would you repeat that last statement.

COMMISSIONER SAGNER: The person who succeeds me as Commissioner of Transportation

might have a different concept of what they want to do, and it would not be his project. There is a pride in ownership which you legislators know. There might be a bill similar to yours, but you don't feel the same way about it, as if it's your bill. Each time the legislature meets we have new bills introduced, and every time there is a new Commissioner of Transportation, we have new studies, and all the investment and all the time is wasted, so we have insisted that these studies be completed by this Fall, and everything is geared to that. So that we will come back to you this Fall with a complete program of how we think the bus subsidy system should work, who should administer it, how it should be funded, and even bring to you some examples of the types of legislation that will be needed.

I just want to conclude by saying that we request that you hold any decision, even any hearings other than this on new legislation, until we have completed this study. I will ask Mr. Stangl to outline for you in detail what these studies will encompass.

P E T E R S T A N G L: Mr. Chairman, as you know, I think we have spoken in the past about some of the studies that have been going on in the Department, and I think one of the things that the Commissioner pointed out is there is some considerable frustration with doing studies and I think we recognize that, and I think that it is one of the reasons you are here holding hearings, and it is one of the reasons that some of the bills have been introduced. What I would like to do is to take a few minutes, if I could, to trace the history a little bit of what has happened, what studies are going on, when they expect to be completed, and what we expect to get out of them. I think that is important, because I have seen a lot of confusion in the press, and there has been a lot of misunderstanding in conversations I have had with people as to exactly what is happening. I think people don't have a sense of what is going on, and don't, at this point, have a sense of confidence, I think, that the Department is trying to move towards a solution to what we consider to be a very serious problem.

Awhile ago, the Department of Transportation prior to my coming here started what was called the Statewide Bus Study. Basically they were getting into the business, what is out there. They did phase A of the statewide bus study, which was essentially an inventory. They went out and knocked on the doors of some of the people behind us, asked them how many buses they had, where their garages were---

ASSEMBLYMAN ESPOSITO: Excuse me, Peter, are you referring to that Wilbur Smith study?

MR. STANGL: The Wilbur Smith Study, right, the first phase of that. They asked them how many routes they had, what fares do you charge, how many people do you carry, et cetera, what is the age of your equipment, what is out there, what is the universe here. And they did that and we finished that.

The second part of that was, now you know what is out there, how can we go about improving. And we are in the final stages of completing that, and it will be completed this fiscal year. It will be completed by June 30th, we hope, some of the recommendations for service changes and service improvements on the assumption that we get some additional \$30 million in the subsidy program. If I might say so, we have been appealing that one, so we can make those improvements based on that study. Now, those things have happened, and they are about to be completed, and I think they are worthwhile ventures, and a good amount of money has been put into them, and a good amount of time.

The other things that have been happening are, we have initiated a study with the Musto Commission, the staff of the Musto Commission. You may have read a little bit about that in the papers yesterday. That is a study that is being done under the direction

of our Department with some federal funds and with our funds. It is designed to recommend to us how we should deal with the localities and with the counties for transportation purposes. We are constantly criticized that the counties don't have enough input into what routes are being run, what the fares are going to be. The localities don't have enough input into that. We agree that we do not have a good method as of this point - not that we are going to make everybody happy - for getting all that input. They will not only give some input on the decision, but a little financial responsibility will go with that. We don't get the full cooperation from the counties in terms of the money that we are asking for for certain services. Some do, and some don't. We have been inconsistent in our enforcement of that so-called 25% that we occasionally ask for from the counties. So we are addressing that.

We have refocused that study, so that within the first six months - it is a 15-month study - we will deal with specific issues on the counties and the localities, and how we ought to relate to them, and what sort of responsibilities they are to have. Now, that is one piece.

The second piece is concerned with - we have just left the contract, and we have begun to work - redoing the existing subsidy program. Right now our subsidy program - and I am sure you heard a lot of criticism about it before we got here - is inadequate. We are putting money into a bottomless pit, and we are not really getting--- In many cases, there is no incentive in there for good performance. That is not to say that nobody is performing well, because I think the bus industry does a good job in general, and a lot of people are doing a good job mostly out of dedication because they are not getting any financial reward for it. Now, there is no financial incentive for a company under contract to us to go out and do a better job, because they do a better job. They increase the revenues; they reduce the amount of subsidy, and we take it back. They don't keep any.

Now, we think that is crazy, and we are trying to change that. This study would do two things: One, establish some standards. If you take a look at the costs in the industry out there, you will find all different costs. You find certain companies running for \$12 an hour costs, and certain companies are running at \$22 an hour, or \$19 an hour, or \$15 an hour. There may be some valid reasons for that, but we want to see if we can establish some standards, so when we look at a company we can tell whether those costs are reasonable, and we will make our payments based on those costs. In addition to that, we want to provide an incentive, so when an operator goes out and improves his performance, carries more passengers, reduces his costs, increases his revenue, then he ought to be allowed to make a buck doing that, and there ought to be some financial incentive that allows him to do that. That deals with our relationship with private bus companies. We are trying to improve that. And that is ongoing. Again, that is a six-month study, plus the so-called Musto Commission study which is being done under the direction of the Department of Transportation, and we have the subsidy study, both of these to be completed within six months.

Now, over these is what I call our umbrella study, which is going to address the issues of how we should organize institutionally in the State, and how we have to finance the delivery of the public transportation services. That will specifically address such questions as, should we continue with the private sector model, and enter into contracts, as we currently do, with an improved subsidy program; should we continue to do that; should we establish a statewide authority for buses, a statewide authority for buses and rail; should we have regional authority; should we have county authorities; should we have a mix of authorities and private with different types of programs. That might be a good balance. We also want to know which system will be more responsive to public need; which of those will be more efficient

from a management point of view. We heard a lot of arguments about establishing an authority and about its benefits, but no one has demonstrated to my satisfaction that it is cheaper, that it is somehow more efficient, and that it is somehow more responsive. I don't know, maybe it is, and maybe it can be designed to be that, but we don't know the answers to those questions. That is why the Commissioner is saying, "Let's hold off on these. We are investing some good state dollars in these studies. We think they are needed. They are going to be done in a very reasonable time frame." This study will also be six months.

It will produce specific recommendations as to organization, how we should finance it, address the question of special taxes, address the question of dedicated taxes, address organization, and put together a specific legislative package that we can go to the Governor with, and to the legislature with, and say, "Here is the way we think it ought to be done. These are the mistakes from the past. Here is what we think we ought to do in the future. Let's have some action. Let's make some decisions in the legislature, as to what we want to do." That in a nutshell is what those studies have been about, and what the current studies are about, when they are going to be completed, and what we expect to get out of them.

ASSEMBLYMAN ESPOSITO: Is that your statement?

MR. STANGL: It is, Mr. Chairman.

ASSEMBLYMAN ESPOSITO: This morning Joel Jacobson testified here, and we had asked him the question, should the unsubsidized carriers and the subsidized carriers be put under one umbrella, under one authority, and he said that he would favor such a move, but he felt that the PUC should regulate these buses, not the COA.

COMMISSIONER SAGNER: Well, we strongly disagree with that. We are having a terrible time now with the unsubsidized carriers who want a small increase in their fares. They could stay out of subsidy having to go through a prolonged procedure with the PUC and taking a terrible amount of time for them to get an answer. We have subsidized carriers who are asking for permission to discontinue routes that we think are redundant, and it is taking months, hearing after hearing, for the PUC to act. We had discussed this with the previous President of the PUC and his other Commissioners, and they were in agreement with us that the body responsible for the subsidy program should control all of the buses, and working with the Governor's counsel, we have legislation in draft form for your committee to consider.

We have, as you know, Mr. Chairman, requested that we hold off on that, because we would like to see the organization that will come out of our umbrella study, as Mr. Stangl described, and for the few months that we are talking about, it doesn't seem practical to transfer this authority to the COA, gear up additional help and hearing officers, and the organization that we need if the studies should indicate there should be some other form of administration of the subsidy program, other than the COA. But with the caveat that we wait until we know what the form is going to be this Fall, subject to legislative approval, we would plead very strongly for whatever the body is that controls the subsidy program to have all the regulatory powers.

ASSEMBLYMAN ESPOSITO: This morning and this afternoon we heard the concensus of opinion of the witnesses here today, which was that an ad hoc task force fact finding commission be recommended, and it will be composed of the Chairman of the Appropriations Committee, or his representative, the Chairman of the Department of Transportation, or his representative, two members of the Assembly Transportation Committee, two members of the Senate Transportation Committee, two members of the unsubsidized carriers, and two members of

the subsidized carriers, two members of the Public Utility Commission, one representing the Commission itself, and one representing the Public Advocate's Office. Now, the public is annoyed at your conducting studies, and witness after witness has told us today about your Department spending something like \$1,520,000 on studies, \$856,000 on Wilbur Smith, \$130,000, 000 for a study by a Philadelphia concern, and you have this \$90,000 that is going to cost the taxpayers for the county government study commission, and we feel that we need this fact finding commission. We are not going to tell you to go ahead with your studies; we are not going to act on any new legislation that is before us; we are not going to release any of the bills, but we feel to give further input we must have a fact finding commission.

COMMISSIONER SAGNER: To find out what further facts?

ASSEMBLYMAN ESPOSITO: To find out why there are inadequacies and inefficiencies in the bus subsidy program. And they feel the bus drivers themselves feel that they are the experts, and they could tell you or tell me how to operate a bus subsidy program, and how to operate a bus program in the state of New Jersey efficiently. I think they are in the business, and I think they are well qualified to do that. I think, you know, they have convinced me that they are in the business and they know how to operate, and they are proving it. Speaker after speaker who represented unsubsidized carriers said they feel that they could do their job more efficiently than the Department of Transportation or anybody else.

COMMISSIONER SAGNER: Mr. Stangl said, "Do you want me to answer it." I really should let him answer it, because whatever I am going to say is going to be in temper. With all due respect to these men who run their business - and I have come from the private sector, and I share some of their experiences - I sat at your last hearing, Mr. Chairman, and I heard some gentleman saying that he runs his business, and he doesn't approve of the subsidy program, but he is in competition with somebody who is subsidized, and yet that very gentleman is receiving subsidies in another company that is operating out of another corporate structure, and his presentation to you that day didn't advise you of that fact. Of course these men have a lot of practical experience, and we get a lot of suggestions from people around the state as to how to run the program. You have the authority and the responsibility to determine what has to be done. If you want to have a fact finding commission, I have nothing that I can do about it. All I can say is that I don't think it will be productive of anything that will enable us to plan a program, because with all their ability to run a bus lines and to bargain with the unions, and to keep their equipment running efficiently, they don't have the broad experience of what is happening in authorities and in this changing world of bus transportation throughout the country which our consultants, whom we carefully selected after interviewing many people, are going to bring to us.

If you want to go ahead and do it, go ahead, we can't stop you. I don't think it would be productive.

MR. STANGL: I just want to add a word to that, Mr. Chairman. I agree with him, and I agree with some of the operators who said they know how to run their industry, and I think that is correct, and I think that we have taken that into consideration, and I think that you are going to be in a position to make a judgement over the next month or two on how well we keep our word and what we are doing. In the studies that I have described to you, we have put together various, what I call, advisory boards, consisting of -- and we are in the process of selecting those individuals right now. They would represent a bus operator; they would represent an authority; they would represent someone who knew about finance; they would represent someone who knew something about labor, a labor lawyer, and

a union representative. Let's use those people and their expertise to keep our consultant and us honest, and let's let them be an advisory board to us, and let's go through that process. I think it is a healthy one. Furthermore, we would never go through this study without, on a continuing basis, briefing you as the Chairman of the Assembly Transportation Committee, and Senator Buehler, and Senator Dwyer of the Joint Appropriations Committee on what we are doing, bring people up-to-date. At the point that you think we are not doing it right, or at the point where you think we are not getting all the facts, at the point that you think something else can be done, I say create a fact finding commission, because I think that is what you ought to do if you feel it is not being done right. You are going to have a very short period of time within which to tell whether or not we are doing it right, or whether or not we are doing the type of job that you as a legislator who has a very broad responsibility here thinks that something should be done.

ASSEMBLYMAN ESPOSITO: I personally think that the time is there. You have six months in which to conduct a study. Well, go ahead, continue your study, but I think that we could give additional input, maybe as an advisory board, as you say, because I feel that these people can make contributions to getting a better bus program in the State of New Jersey.

COMMISSIONER SAGNER: Mr. Chairman, all I can say is, you have the ultimate authority. We are not going to have a lot of people to put a lot of time in to work with that committee. We are terribly short-handed, and some of the criticism which I understand was presented here - some people had the courtesy of telling me ahead of time what they were going to say - is acknowledged by us. We have been through probably the most important time in public transportation in New Jersey. There has been a radical change in the whole rail subsidy program, which has taken a tremendous amount of the energy of our Department, and I think it is recognized around the country, if not in New Jersey, that what we were able to accomplish to preserve our commuter railroads and to save money for the State was unparalleled, and the results will be here for years to come, and we are still involved in the program, saving the service both for the passengers and for freight. We are still involved in this, and a lot of our staff time is involved in this.

The program in the bus subsidy has expanded as more and more companies have come into the program, and as their problems have become greater, we have had to become more involved. We don't have the staff to keep up with all the demands on us. If there is going to be a fact finding committee, that is going to ask for a lot of staff time, plus the people who are going to have to spend full time working with the consultants, we are just not going to be able to do it.

ASSEMBLYMAN ESPOSITO: Commissioner Sagner, most of the witnesses here this morning indicated a willingness to serve on that Committee. I have asked Mr. Gilhooley, and he said he would. I have asked the subsidized carriers, and they said they would. The only thing we ask of your Department is that either you or one of your representatives serve on that committee. I don't think it would be a strain on your staff.

COMMISSIONER SAGNER: I have made my statement, Mr. Chairman.

ASSEMBLYMAN ESPOSITO: I don't think it will be a strain.

ASSEMBLYMAN CALI: You have mentioned about several, more than several, studies that are currently being conducted and one that is going to be conducted. Let's talk about the ones that are being conducted. What kind of people are serving on those? You made reference also to experts who are presently running businesses in this field that are making money. Do you have any of those kind of people on your study commissions presently?

COMMISSIONER SAGNER: We will have ---

ASSEMBLYMAN CALI: Do you have any on the ones that we have already---

MR. STANGL: We haven't selected finally the people for the advisory groups. I don't know exactly the makeup of the panel, quite frankly, of the subsidy program. I could get that for you, and I would be happy to give it to you. I think that one has essentially been selected. Mr. Anderson, Director of Commuter Services, has been contacting people on that.

ASSEMBLYMAN CALI: I think it has been said all day here that the studies that we are making don't have the kind of people with a professional attitude in doing these things on a profit making basis to conduct the studies. If we are spending a million and a half dollars to make studies, and we don't have the people sitting on those commissions who are asking the right questions and demanding the right answers, then perhaps this is why we are here today listening to all these complaints. We heard today about a line or several lines that were being run on a profit making basis at rates of 15¢ a ride less than TNJ is charging, and TNJ is subsidized, and the lesser charging company is not being subsidized. Now, you say there is something radically wrong. We agree with you, but why the hell do we have to spend a million and a half dollars to say, "Well, let's make a recommendation here." Let's put a bill together and stop that. Why do we have to wait until the end of the summer to do that?

COMMISSIONER SAGNER: Do you want to go into it step by step, Mr. Chairman?

ASSEMBLYMAN ESPOSITO: Yes.

COMMISSIONER SAGNER: Well, let's go back to who does a study. When the United States Government wants to make a reorganization in the Army, they don't go to the old soldiers' home, they don't even go to the active Army to determine. They go to experts, people who are management experts, people who are systems experts. They don't sit somewhere with a blank computer or a bunch of blank notepaper and decide what to do. These are people who are experts in management or experts in systems. They get out and get their raw material from the very people you are talking about, from the people who run subsidized lines, from those who run unsubsidized lines, people who have worked with authorities, people who have worked with other types of organizations, with consumers. These are the people they get their raw data from, but they don't look at it from one point of view. They are experts in systems and management, and they get this data from all the people who spoke here and others, and then they tend to put that together and then they decide how they are going to implement this, and how you are going to match it, how are you going to control it? That is why we can't do this with a fact finding committee. That is why we can't do it ourselves.

So far as your example, wouldn't it be very simple for us to say, "Let's stop running the TNJ in competition with the buses on the boulevard." But they have to examine and know the reasons why there is a difference, why they are making money, and why TNJ isn't. First of all, we believe that on that very line TNJ is also making money, and the subsidy is on the overall systems, according to the accounting system that is being used at the present time. I can't vouch for it, but from the information that we had, we think that many of the TNJ lines are making a profit, so the fact that they are running in competition doesn't mean that we are subsidizing that specific line. We are subsidizing the bottom line of their financial statement.

Also, for whatever historical reasons, TNJ has a much higher labor cost than these independents. And I don't know, maybe there are some other deficiencies, but basically labor which is 65% or more of your cost of operation is the big difference. Now, you put the labor cost on that fellow who is making the money, and you put the very stringent

hours of service and scheduling, I don't think the difference is going to be that great. Maybe it would be. Maybe as a result of analyzing why there is a difference, we don't know all the reasons or differences. We want to study it. There is no use asking the independent why there is a difference, he will tell you as he sees it. There is no use asking Jack Gilhooley why there is a difference, because he will tell you as he sees it. Let's get somebody who has an accounting background, a business management background, to go in and look at the record and examine why there is a difference.

Now, if it turns out - and I would love it, I am a believer in small enterprise. I was a small builder, and I would love to go against Levitt and these big guys, because I think I could knock the hell out of them all the time, with a small operation. I don't know if that carries over into the bus business, but incidentally, if it does, we would be unique in the whole United States of America. Maybe we can be unique - after we study this, then we will find out that small independent operators, good hard-working business men like we have in some of these associations have the answers, maybe we'll go that way, but we will know upon what facts we are making that decision. I don't think you can ask the people who are doing it to make the decision. We could ask them to give us the facts, and that is what we intend to do.

ASSEMBLYMAN ESPOSITO: Commissioner, you tell me at the present time you are doing four studies, right?

COMMISSIONER SAGNER: There is a study that was started in the other administration, which has been one of the basic faults that I have described in my earlier remarks. Most of the material there is already out of date. It was started so long ago, but that is how it was organized, it was 80% federal money, 20% state money. That is going to give us some data, no use throwing it out, so we are continuing it. That is the basic study that cost almost \$900,000.

ASSEMBLYMAN ESPOSITO: You still have four ongoing studies.

COMMISSIONER SAGNER: Then we have a study that is going to tell us how we pay people for carrying passengers. At the present time, we are paying a system that I have criticized since the first three months I was here. We pay a man his loss. Because as Peter said, there is no way to provide an incentive in that system, so one study, which is already underway, is a bus incentive reimbursement system, which we have discussed with the bus operators for some time now, and this type of system is operating in West Chester, but not too well.

We want to find out how we can pay a man per bus mile or per passenger mile, at a figure that would be equitable to him and still not a rip off to the State, and it is not easy, because you can't have one yardstick for every kind of bus service, so we have to find out if we can have various yardsticks that are equitable to the operator and give him a return on his investment, and that gives him an incentive, and yet at the same time it doesn't rip the state off. Now, I spoke to the people in West Chester who had that data system. It is great. The bus operators are very happy, but the county thinks it is getting ripped off, so we want to know if that system can be devised, and that is a study that is a very important study.

Now, are you going to have the bus operators, the independent operators or TNJ devise those yardsticks for you? I don't think so. I don't have the expertise in my Department, and I don't think you have it in the Legislature, and I don't think that the office of management and Mr. Hofgesang's office has it either.

ASSEMBLYMAN ESPOSITO: But, Commissioner Sagner, we have four ongoing studies.

COMMISSIONER SAGNER: That is two I have described so far. There are two more.

One is how to get the counties involved, and the other is, how are we going to manage the thing.

ASSEMBLYMAN ESPOSITO: Why do you object to a fifth study to supplement the four?

COMMISSIONER SAGNER: I object to it, because I don't know what the purpose of it is, and I don't want to debate this with you, Mike, I have too much love and respect for you. If you want to have a fact finding committee, go have it. All I am saying is you are going to take too much of our time which we don't have. Have it and leave us off it.

ASSEMBLYMAN ESPOSITO: Commissioner Sagner, we were called up by the leadership of the Legislature, the Chairmen of the various committees, and we are tired of sitting on our rump while there is an out and out cry by the public.

COMMISSIONER SAGNER: Just to react, Mr. Chairman, without a purpose, sometimes it would be better to sit on your rump. We are reacting through you. After all, we derive our authority and our power through you. When we are having four studies underway, you are in effect reacting through our Department, and to have a fact finding Committee to satisfy the outcroaring of the public seems to me a waste of your energy and these good gentlemen and our people. But I say, we are your servants. If you want to have a fact finding committee, okay, give us our marching orders, we will be good soldiers.

ASSEMBLYMAN RYS: Mr. Stangl, what about the Smith Report, when is that due?

MR. STANGL: The first phase was completed. We had the inventory. The second phase of that will be completed by June 30th of this year.

ASSEMBLYMAN RYS: Is that a membership of the Boos Corporation, or is that a separate corporation?

MR. STANGL: Wilbur Smith I don't think is a part of Boos-Hamilton. Simpson and Curtin, which is doing one of the studies for us and is in association with another firm that is doing another study for us, has a relationship with Boos-Hamilton.

ASSEMBLYMAN RYS: How many study commissions do you have working in the field, one or two?

MR. STANGL: Studies that are going on?

ASSEMBLYMAN RYS: Yes.

MR. STANGL: We are about to complete the Wilbur Smith. We have hired the Musto Commission staff to do the other, and we are paying them. There are two others, one is being done by Simpson and Curtin, and the other one is being done by a firm called Systems Designs Concepts, which is headed by Mr. Bridwell, who is the former FHWA administrator, and that is being done in association with Simpson and Curtin.

ASSEMBLYMAN RYS: Are these corporations familiar with the State of New Jersey, as far as roads, beds, and everything else?

MR. STANGL: I think Simpson and Curtin is very familiar with the State of New Jersey. Wilbur Smith has done work in this State for a number of years, and is probably as familiar with the State of New Jersey as any firm that I know of. Systems Design is probably not as familiar as Wilbur Smith and Simpson and Curtin, but is working with Simpson and Curtin on this umbrella study that I addressed.

ASSEMBLYMAN RYS: Can you possibly give me the total cost of this type of study?

MR. STANGL: Let me address that. The Wilbur Smith study is about \$850,000. The Simpson and Curtin study on the subsidy is \$120,000 - approximately. Both of those will be funded by 80% federal funds. The state will put up about 20%. Thirdly, the Musto is about \$90,000 and about \$20,000 will be state funds, and \$70,000 of which will be federal funds. The fourth one is approximately \$400,000. We think that is going to

end up being all state, because in our discussions with UMTA we have run out essentially of our technical funds that they make available to us for this year. We don't want to wait for them. We think it is too important to wait.

The other point I would like to make is here we are talking about \$1 million and a half, whatever it turns out to be, in terms of studies, and maybe about half a million of which the State will put up. We have a subsidy program of \$100 million that we have spent very little money on for the last several years, trying to improve what everybody says is a terrible program. We haven't spent any money on it. We have not put any staff on it. And the point I am making is that a million and a half dollars spent over five or six years to improve a program that is costing us \$100 million a year right now is an investment that the business man and the corporation will probably make very quickly in terms of research and development.

ASSEMBLYMAN RYS: I agree with you in that respect, in other words, if you are spending money, you should be getting the value of the dollar back, and therefore you are reducing the cost to the State of New Jersey. We are talking at the present time about the figure you gave me very roughly, I think, which has been appropriated at \$800,000.

I have always had the respect for the Department of Transportation, because I always felt that they are all fine people, and you have qualified people there. I think at this time to put the rush on what is going on in the State of New Jersey-- I am very much sorry that you people didn't handle this situation yourself, because I think you could better handle it at the present time. You are affiliated with these companies, and you know the streets, and you can get the input from your qualified personnel. I know you have already laid a lot of people off or they left for other parts unknown, but my biggest concern is that these people - and I heard this statement here this morning that these people - working on these commissions or studies will walk in and say, "How many buses do you have; how many personnel," and they are walking out. That is the thing, what we are trying to look for is the busing between East Paterson and Fairlawn and Passaic, and the bus running up and down all by itself not picking up anybody. I made that remark the last time.

These companies are ripping us off by the subsidy program. This is a problem that I would like to see overcome and if you need the time, fine, but if Mike wants to set up another commission, I think we ought to settle the situation, because we have a big problem in the State of New Jersey at the present time and the people are going to do something about it.

ASSEMBLYMAN ESPOSITO: What is wrong with getting a fifth perspective?

MR. STANGL: I can't add anything to what the Commissioner said. I think that we have said it, Mike. I don't know what else to tell you.

ASSEMBLYMAN ESPOSITO: Commissioner, we have to face the facts. You know, the subsidy program is \$44 million at the present time. We don't know what it is going to be next year. What do you expect next year as to the cost of your bus subsidy program, Commissioner Sagner?

COMMISSIONER SAGNER: The whole program, about \$103 million.

ASSEMBLYMAN ESPOSITO: No, just for the bus end of it.

MR. STANGL: It depends on what the appropriations committee says. In order to stay even, Mr. Chairman ---

ASSEMBLYMAN ESPOSITO: Are you making any economy move, to cut costs, and things like that?

MR. STANGL: Sure. What we have been doing, I think, in the past year, because

we had a short fall was to cut routes. We increased fares. We have eliminated some routes, and we reduced some service in the State that we didn't want to reduce, and those are the types of steps that we have been taking, and unless we get additional funds from the legislature of at least \$30 million, we are in for a big shock come July 1, because we are going to have to raise fares considerably more, cut additional service, and discontinue some rail service. We are in big trouble under the existing budget.

COMMISSIONER SAGNER: We are not waiting until we get the Wilbur Smith study complete. We have already completed some changes. For example, two of the carriers were operating in two towns, each had a terminal in each of the towns. With a good deal of negotiating we had them agree to consolidate their schedules, so that they reduced the cost of operating, and to each close one of their terminals. We anticipate saving a half a million dollars on that program.

This is not something that is easy to do. When you tell somebody to close a station and to change a route, you are telling a man to change something that is his property right which he owns and which he has value in, and we have had to do it so far by negotiation.

Some of the proposals that you have before you talk about moving the very broad brush and making these changes, but I know that there is no fiscal note attached to those proposals, and they would not be easy to implement in view of the resources available to us.

ASSEMBLYMAN ESPOSITO: You know, I have been impressed by the testimony of the independent bus owners in Jersey City, and I can attest to this, it is the truth. We had a bus strike recently here in Jersey City, and we didn't know we were on strike, because the bus owners who are not on subsidy went out there and did the job and did it well. So there must be something wrong with our bus subsidy program in the State of New Jersey. There has to be. That is the proof of the pudding. These are things that maybe your Department can't see, and I don't think Wilbur Smith can see it either, these consultant firms, but the owners can. They know where the savings are.

COMMISSIONER SAGNER: Mike, I don't want to have a debate with you. Just assume that we eliminated the duplication that we have, and now we only have the independents running up and down the boulevard, and now we have a strike of these companies, who is going to take care of the bus service then?

ASSEMBLYMAN ESPOSITO: But, Commissioner, remember this, in Jersey City there are two bus lines running parallel and nobody has yet given me the answer. They run from Exchange Place, Jersey City, to the Bayonne City line, and TNJ is getting subsidy money, but the other company is not getting subsidy money, but they are giving just as good service for less fare.

COMMISSIONER SAGNER: I think your fact finding thing is a good idea. Why don't you let these independent fellows give you a plan on how to do this statewide. I think it would be a damn good idea. I will buy it.

ASSEMBLYMAN ESPOSITO: Maybe they might come up with answers. We had independent bus operators not only from Jersey City but they were here from New Brunswick, Newark, Essex County.

COMMISSIONER SAGNER: Once they do it for us they can go national.

ASSEMBLYMAN CALI: Why don't you continue going to the losers, and see what the losers tell you about how to run your operation, and let them make the suggestions? When you want to learn how to hit a baseball, it is better to go to Joe DiMaggio than in coming to me. I never hit a home run in my life. You know, what we are saying is, if you want some

input, let's get it from the guys that are making money in this.

COMMISSIONER SAGNER: I'll buy that.

MR. STANGL: Let me just say one thing. I would suggest that as many cases throughout the State - and not necessarily all - whether a company is making a dollar or is not making a dollar, profitwise, is probably not so much determined by whether they have a superior management. I think most of the bus companies in this state, and that goes for Suburban Transit - and I have him sitting behind me - and that goes for Gilhooley's operation, and it goes for a bunch of small operations, they are fairly well run. The profit-making has more to do with the territory they are covering and the population growth around that, the journeys to work that emanate out of that area, labor costs and some overhead costs, than it has to do with Mr. "A" is running it or Mrs. "A" or Mr. "B" is running it throughout the whole state. Now, I think if you will take a look at that, you will find that it is not just the question of management. You have a lot of good managers running it throughout the whole state. Now, I think if you take a look at that you are going to find that it is not just a question of managers. There are a lot of good managers in this State. The system is screwed up.

ASSEMBLYMAN RYS: Peter, we had the President of the South Orange Bus Company, and he testified about a half an hour ago. He is on the same streets, you people supply the free buses to Public Service - I call it Public Service, but it is the TNJ- and this man is running his own bus line on a six minute basis, and he is charging 25¢ but he is making money left and right, and yet the TNJ is getting 50¢ a trip and we are subsidizing, and they are losing money.

COMMISSIONER SAGNER: Now, wait a minute. Mr. Chairman, we are here to testify, and I know your time is valuable, and our time is valuable. We are going to be here and give you facts to the best of our knowledge, and if they have no impression on you, there is really not much point in our being here. Now, this South Orange Avenue and the TNJ argument has been going on for some time now. There are some facts that you should be aware of. Number one, ask this gentleman what he pays per hour and what TNJ pays per hour. Secondly, let him prove to you that TNJ is losing money on the line that they are running. They are not losing money on that line, according to their accounting figures that I have seen. So we are not subsidizing that. I just said five minutes ago that there are lines that are making money for TNJ and there are other lines that are losing money. We pay a subsidy on the overall system, not every single line.

The proof of the pudding is that it cost you in New Jersey about 18¢ per bus passenger subsidy. I assume we have the best service in the country, but we are far below anybody else. SEPTA is paying 27¢ a passenger subsidy, and in many other areas it is running 50¢ or more per passenger subsidy.

ASSEMBLYMAN ESPOSITO: Commissioner, I am going to ask this question again, and I have asked this of you too, I think around two months ago I asked you to give me a breakdown of each company and how much they are losing. To this day, I have not gotten those figures.

COMMISSIONER SAGNER: I just got the figures in the last---

MR. BROWN: You are not the only one, Mr. Chairman. We asked last September.

ASSEMBLYMAN ESPOSITO: Now, I am not an auditor. I can't go in and audit the books of TNJ and find out how much they are doing on the South Orange Avenue line, because I have no way of finding out. I have to depend upon you. Because everything goes into the general fund, and we don't know who is losing money and who is making money. Assemblyman Dennis.

ASSEMBLYMAN DENNIS: Commissioner, I gather by one of your earlier comments that --

one of the things that came out this morning was that the PUC and the COA -- You would advise that it makes sense to put it all under one roof, and I tend to agree with you. You feel we should hold off until this report is in before we do anything on that?

COMMISSIONER SAGNER: I do, Assemblyman, because it is very possible that as a result of the study it might be determined that this operation should not stay in the COA, that there should be an authority that is going to handle the bus subsidy program, and then we might want this regulation to be made in the PUC or in some other agency, so I can't see making a transfer, having us staff up to do it, and then by the end of this year possibly making another transfer.

ASSEMBLYMAN DENNIS: That was the one thing that came out, and the other thing is that everybody said that we all had a bunch of experts here this morning, and they felt they were running efficient lines. I think everybody wants to be included. I know that Boos-Hamilton is really a fine outfit, but will they go into the small companies and send them out in the field?

COMMISSIONER SAGNER: Absolutely. Where are they going to get the data from? There are no text books.

ASSEMBLYMAN DENNIS: Well, witnesses have said that they don't. I don't know what the past---

COMMISSIONER SAGNER: Who said they don't?

ASSEMBLYMAN DENNIS: Certain operators said they have never been included, and I think for your sake and our sake and I know it might be costly, but maybe you can send something out to these people telling them that they will be included. They don't know what's happening. I think they want to be included.

COMMISSIONER SAGNER: That is a very important point. As Mr. Stangl said, we don't intend to go into a closet and come out in September with a stack of documents and say, "Here it is." We intend, first, and a very important part of this is the advisory committee, in which the independent bus drivers will be represented, and the authorities will be represented, and the public transportation groups will be represented, labor will be represented, so that we will get the feel of what the public feels these experts are saying, and also your committee.

ASSEMBLYMAN DENNIS: I agree that an advisory board can maybe serve the same thing as an umbrella, and we can have the chairman of our committee on it, and who is going to select the advisory --- you say you want a representative from the bus lines. Who would do the selecting? Will the bus lines say this is the man we want, and the union will say this is the man I want, or is your department going to select them, or what?

COMMISSIONER SAGNER: We will select them.

ASSEMBLYMAN DENNIS: I think they would rather perhaps seek who they would want.

COMMISSIONER SAGNER: The thing is that there are a lot of bus operators in the State, and there are several organizations. We can't have that many people.

ASSEMBLYMAN DENNIS: I assume they have a committee, you know, like the unions and they represent certain individuals?

COMMISSIONER: We deal with these people constantly, and we know who can speak for them. I think the idea of a representative of the bus companies is a good

one, and Mr. Stangl and I will review that. We certainly don't take an antagonistic view toward these people who are trying to provide a service and are trying to make a living. We just don't think we can do everything they want.

ASSEMBLYMAN ESPOSITO: Why not have carriers who are unsubsidized on that board? I think everything is Gilhooley. What is he, the bus expert in the State of New Jersey? Here is a man that is being hired -- I think this should be in the records. He is being hired at a tremendous salary by TNJ, and he is operating a non-profitable business. It doesn't make sense to me.

COMMISSIONER SAGNER: Your assumption is, Mr. Chairman, that he is going to be the representative, and I won't tell you as of this moment, because it hasn't been decided, but I can tell you who it isn't going to be. It isn't going to be Mr. Gilhooley.

ASSEMBLYMAN ESPOSITO: I thought you suggested that just a couple of minutes ago.

COMMISSIONER SAGNER: No, sir, I did not.

ASSEMBLYMAN DENNIS: I suggested that they have one from the independent and one from the subsidized.

COMMISSIONER SAGNER: We will take that suggestion, and review it, and we will consult with you before we make the selection.

ASSEMBLYMAN ESPOSITO: I am not saying he should be included on that Committee, but I feel that we need his expertise too.

COMMISSIONER SAGNER: He will not be, Mr. Chairman.

ASSEMBLYMAN DENNIS: Obviously you have more expertise than I, but here we have the most densely populated state in the country, and what necessarily works for one area you feel would not work for another area?

COMMISSIONER SAGNER: No, that is the problem. Getting back to the subtleties of this thing and why a certain type of operation is uniquely successful in Jersey City, you have the densest population in the United States of America in this area. You have the lowest ownership of private vehicles in this area. Now, transfer that to Livingston, New Jersey, where you have the density of about one family per acre, and average car ownership of two and a half people, in those areas there still is - unless you decide otherwise - a need for some minimal type of bus service. There are still people who have to commute; there are still the elderly, the handicapped. There are still people going to the factories, back and forth. So if you compare the course of an operation on the boulevard in this area to an operation even in East Orange or Livingston, or West Orange, you just can't make any comparison. This is the difficulty in New Jersey. We cover a very diverse area, from rural to the most highly urban in the world, and to try to devise a system that will meet all these needs, is just impossible.

ASSEMBLYMAN DENNIS: I am sorry you missed our witnesses this morning, but there was an individual who said I think there was something like \$5 million that was spent for sheds or bus stop waiting sheds.

ASSEMBLYMAN ESPOSITO: No, it wasn't \$5 million that was spent on bus sheds. He did say that, though.

COMMISSIONER SAGNER: He said that we should give the money to the bus companies?

ASSEMBLYMAN RYS: No, the inference was that they had capital improvements to be made, so they put \$5 million into the buildings and stuff like that.

COMMISSIONER SAGNER: When we get a copy of the transcript, we will separate the facts from the fiction. I think the essence of it is that maybe I am a little hot under the collar for some other reasons today, and I am just taking it out here.

ASSEMBLYMAN ESPOSITO: Don't take it out on us, Commissioner.

COMMISSIONER SAGNER: We have met with the Association and its representatives, and we are not diminishing our time limit to downgrade the experience and the expertise of these people, but we just don't think that is the whole answer. I assure you that in our studies, in our attempt to develop our system, we will consult with them. There has been a lot of people saying the State should take over the buses; we should run it with an authority. It is because of the examples of these independent operators that has been my strongest argument against such a move on the part of the State. I strongly believe in the private enterprise system, in the incentive system. I don't know if it can be done, but we are going to try like hell, and the money that we are spending on these studies is a relatively small investment to make to see if we can do it. We will be unique. There is nobody in the country doing it. Every one of them has a big, fancy authority with salaries that would make Jack Gilhooley look like he was on relief, and I would like to avoid that for New Jersey if we can.

ASSEMBLYMAN ESPOSITO: But, Commissioner, you should look at the other side of the coin. The Assembly Transportation and Communications Committee has been accused of being a do nothing committee in a do nothing legislature. Now, I am proud of my committee. We have John Dennis here who represents private enterprise in the State. He is one of the owners of a company, I think, and he takes time out from his business to come here because he knows there is a problem in the State of New Jersey. He happens to be a Republican, and I shouldn't speak this way about him. He wants to be known as a legislator who is going to serve the needs of the people, and if the people are dissatisfied, he is going to do something about it. I feel the same way, so does Gus, so does Robert Burns. We don't want to be given that image that we are a do nothing committee. We are determined to do something about the bus program in the State of New Jersey, and we really mean it. We feel there is something lacking.

COMMISSIONER SAGNER: We agree with you.

ASSEMBLYMAN ESPOSITO: Because you have flagrant inefficiencies and inadequacies in the bus subsidy program in the State of New Jersey. We are being accused by the public of wasting the public's money. If you were to meet ten men in the street, nine of them will tell you that. And they are not experts even.

COMMISSIONER SAGNER: Even in locations of Jersey City, I would not take that as a true representation of what the facts are of the ten people that I saw. The facts speak louder than those words. The fact is that with all its inefficiency, and with all its waste, it still costs us less per passenger than comparable systems by a great deal. Now, I am not satisfied with it; you are not satisfied with it. You are not a do nothing Committee. Because of the many meetings that we have had and many discussions that we have had with your Committee, we are motivated to move ahead, and we are studying the program, and we will be back to your committee with constructive and concrete suggestions this Fall.

ASSEMBLYMAN ESPOSITO: You know, our Speaker was here this morning. He is deeply concerned. He can't see why we subsidize a silk stocking rider for \$1100 per year to ride from Newark to Bay Head, and that guy can afford to take the train, and can afford to pay that high fare.

COMMISSIONER SAGNER: I would like the Speaker to get on the train with me. I get on the train every day, and I would like him to come down to Newark tomorrow morning and get on the train, and see the people who travel to Elizabeth and to New Brunswick. They are not all stockbrokers going to Sea Girt. There are people who are going to work; there

are students going to school; there are people going to work for the State, and the Lord knows they are underpaid. The people who travel on the train are not all executives who work on Wall Street. There are people down the shore who do work for Wall Street who are employees of these companies. They have moved to the shore and settled that part of our state, based on fares that maybe were uneconomic, and even if a fellow is making \$15,000 or \$18,000 or \$22,000 or \$24,000 if you increase this fare 25% or in some places 60% already, it would be a pretty tough situation, especially if we doubled this fare again. We have to take that into consideration.

ASSEMBLYMAN ESPOSITO: What about the small guy who works probably for the minimum wage, that works in the inner city, he has to pay 40¢ per ride every time he gets on the bus. It costs him 80¢ a day. That is highway robbery.

COMMISSIONER SAGNER: We recommended in our budget request last year sufficient money to reduce that to 25¢ on all inner city buses. The money isn't there.

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

ASSEMBLYMAN DENNIS: You have said the Fall, does that include September, October, November?

COMMISSIONER SAGNER: We have given them the target of September. If we have it by the end of October, we will be satisfied.

ASSEMBLYMAN ESPOSITO: Thank you, Commissioner.

MR. STANGL: You asked me if I had a statement, I just want to thank you for letting us appear here. I appreciate that.

ASSEMBLYMAN ESPOSITO: Thank you. Mr. Sidney Kuchin, Suburban Transit.

S I D N E Y K U C H I N: My name is Sidney Kuchin, I am with Suburban Transit, Corp., New Brunswick, New Jersey. I have appeared before this Committee, I believe on March 3rd of this year, and our views on the New Jersey Department of Transportation bus subsidy programs are pretty well known to you. I believe you have each received a copy of the report we prepared for distribution to members of the State Legislature in February of this year. The contents of that report was discussed when I appeared before the Committee in Trenton, as I said, on March 3rd of this year.

Today, being last, I hope, but not least, I would like to make a few comments on the five bills pending in the State Legislature concerning methods suggested to decrease the subsidy burden that has been placed upon the taxpayers of this State.

Let's begin with Assembly Bill 992, which was introduced by Assemblyman Kenneth Gewertz, and Richard Van Wagner. On September 22, 1975, the same Assemblymen were quoted in the Newark Star Ledger as follows: "The taxpayer is being ripped off, and mass transit service is deteriorating while the more efficient independents struggle to compete with heavily subsidized operations." These gentlemen told a Star Ledger reporter that they were asking the State Commission of Investigation to probe apparent violations of State and Federal laws that forbid public subsidies to bus or rail carriers where existing carriers can provide the same service at absolutely no cost to the taxpayer.

Assemblyman Van Wagner asserted, "We are using taxpayers money to put legitimate, profitable companies out of business in order to support the monopolistic interests of a few." Now these same Assemblymen introduced a bill which will prohibit unsubsidized carriers from competing with subsidized carriers. The bill protects those receiving a subsidy rather than those independents which might provide service without subsidy. This bill in fact guarantees a continuation of the subsidy program.

Now, in viewing the bill, Assembly Bill 992, based on what both these gentlemen have said prior, it appears that possibly maybe the printer made an error and left out a

few words, because on top of the bill it says, "An act to prohibit competition with" --- I think the word "non" should be put in there, so it would read, "non-subsidized motor bus operations."

ASSEMBLYMAN CALI: What line is that?

MR. KUCHIN: Right above line one.

ASSEMBLYMAN CALI: And what do you suggest?

MR. KUCHIN: Well, based on ideas and thoughts of what they stated prior to this bill, the act should state, "An act to prohibit competition with non-subsidized motor bus operations."

On line one, paragraph two, "No subsidized carrier may operate a motor bus along routes in competition with another carrier whose operations are not subsidized by the State of New Jersey," with the deletion of the remaining part of that sentence. Now, if that were set up that way, I would say it agrees pretty much with what they were talking about in the newspaper article quote, but all this particular bill does is guarantee the subsidy program a long, expensive life.

Assembly Bill 1388 creates an agency to acquire and operate all bus companies in the State of New Jersey. The bill authorizes that \$25 million of the Transportation Bond Act of 1968 be set aside for this purpose. It is obvious to those in the industry, that \$25 million is only a small portion of the amount that would actually be needed to accomplish a State acquisition of all bus companies. Now, I believe that this was stated by other witnesses that appeared prior to me.

Furthermore, it would be interesting to ask each of the sponsors of this bill for their estimate of the cost involved to operate present level of bus service throughout the State under public ownership. Experience throughout the country has shown that this is the most costly way to operate a mass transit system, and I believe if we look at the figures of Mercer Metro in Trenton, we will find that for every dollar of revenue - and this is an authority - that they took in in the year 1975, they spent \$2.15. This is an authority.

Senate Bill 523 provides for basically the same costly situation. It authorizes the acquisition of Transport of New Jersey and other bus companies as a Commission deems advisable. Senator Horn's bill, however, only reserves \$15 million to carry out this purpose, and again ignores the high annual operating costs that would result.

Senate Bill 1199 has the advantage of seeking the less expensive manner of running existing service without public ownership. The specific method, however, creates new problems. For instance, there would be little incentive for a company to purchase equipment to operate a contract service for a two-year period, if such were the case. There would be little incentive to work hard to improve that service, knowing you may well lose it after two years - again, if that two-year period would be in effect. It would be difficult to hire good employees if they knew that their jobs were guaranteed for only two years. Revisions are needed to correct these and other important related problems.

The only bill that causes no concern is Assembly Bill 1660, and of course, you have heard here today that we have four or five types of studies going on. Where Assemblyman Baer in this particular bill seeks to establish a commission to study the feasibility and practicality of creating an authority to preserve and promote bus service. If such a study were conducted efficiently and in an unbiased manner, we feel that the results will prove that the private enterprise system is still the best and least costly way to operate the State's transportation system.

Of course, as I say, we have four or five other type studies going on prior to this. This leads us back to the recommendations we made in our report on February 9th. The

recommendations we made at that time, if implemented, would greatly strengthen the private sector of the bus industry and substantially reduce the tax dollars needed to support the remainder of the companies presently on subsidy.

The statement was comparatively short. I came prepared only to talk about the bills in question relative to what I stated in my written report which I believe you gentlemen have copies of. At this time, I am open for any questions that you may have.

ASSEMBLYMAN CALI: I have just two, I believe. In your opinion, could the subsidies be handled individually for each line, rather than what the Commissioner said, where we just get a bottom line figure for the entire operation, and at that point make the subsidy? Would it not be more sensible - or perhaps it is not possible, but I am going to ask you your opinion - why aren't they doing it on an individual line, determining whether or not that one line would be eligible for subsidy or not?

MR. KUCHIN: Well, number one, it is easier to take one whole system and develop a total cost for that system, and thereby not show what lines are profitable and not profitable by a segmentation, line by line. Now, in TNJ's situation, they have prepared in one of their fare cases to the Interstate Commerce Commission a line by line breakdown of the income allocated expenses in the cost justification portion of their fare increase application which shows that every line that they indicated on there is losing money, maybe except one, and they are losing heavily. Their fully allocated costs are apportioned line by line. How they allocated that cost, we have not been able to determine, because there doesn't seem to be any set formula to indicate to us exactly how they took this fully allocated cost and apportioned it amongst their lines.

Now, for instance, in Middlesex County in which we are probably a prime carrier, they have found that by closing down their New Brunswick garage and their operation being taken over by non-subsidized carriers, which we would be a big party to, that considering what the losses were at the time we developed this particular study, we could save a minimum of \$2 million because of a lack of payment of subsidy. There is no reason where a company is on subsidy that the individual lines cannot be broken down cost-wise and the proper cost apportioned to indicate whether the lines are making money or they are not making money.

Now, being in the bus business for 26 years, I know that I can look through my records and I can tell you, after examining them, whether I am making money or I am losing money on a particular line. I can tell you whether we have overexpended on certain expenses in our operations. I can tell you approximately how we are administratively wise costed out, relative to our overall income and our net figure. For the year 1975, our operating ratio was 96.3, and there is no reason why a company, no matter how big or how small, cannot with the proper accounting procedures ascertain line by line what their operation is doing. I think it would be very, very important for a company to know - especially one who has 200 or 300 different routes - what the particular route is doing.

Now, it is true that with TNJ their 119 line takes in various different segments and all the revenue is all put into it, but I would believe - knowing the large accounting people that they have and the high quality of people that they have, they could easily break that down, if they don't already have it, to indicate whether the lines are making money or they are not making money. Nobody can convince me that an operation that runs four trips a day, four in the morning, and four in the afternoon, from a South Jersey area, operating between 30 and 34 people on a trip, and in some cases deadheading buses from Elizabeth down to a starting point, and deadheading them back, or to Union City, that that company can

make money, based on all the other factors that are known to the person who is viewing this situation - their labor rate, their tire costs, their fuel costs, their oil, and so forth. It is hard for me to believe that any company would operate not knowing what the cost factors are, especially the larger companies, because it is very important they do know this. They have their stockholders to report to, as Mr. Gilhooley said, Transport has only paid four dividends in the last 50 years. I don't know whether that is true or not, but if he said it, I would assume it is true. But I am sure the Electric and Gas, the sole stockholder of TNJ wants to know what in the Harry is happening on their individual lines, how they are operating, what they can do to cut it out, what applications have they made to abandon service, discontinue service, cutback service, join in coordinated service with other carriers- what have they done in order to cut down on their expenses and increase their net figure. Now I can't be convinced that they don't want that, and they don't get it if they ask for it.

ASSEMBLYMAN CALI: I agree with you, and I know it is important to them to have those figures where perhaps they might want to add more service to a line that is making money and has the potential of making more money, and while you would want to know that, you would then in turn have to know whether you were losing money in certain areas after a certain hour in the day. I agree with you very much. I don't have any more questions.

ASSEMBLYMAN ESPOSITO: Mr. Kuchin, you operate without subsidy, right?

MR. KUCHIN: Yes, sir.

ASSEMBLYMAN ESPOSITO: Is it true you also operate another branch of your business with subsidy?

MR. KUCHIN: Yes, we have a small, local operation called Plainfield Transit, which is held by two estates and myself, 33%. Back in 1969, I believe, or '70 I applied to abandon service on that line and to shut it down. We went through the formal hearings with the PUC, and at that time, the DOT, I believe, had been in existence a short time, and we were asked if we wanted to participate in the subsidy program.

ASSEMBLYMAN ESPOSITO: What is the name of that outfit?

MR. KUCHIN: Plainfield Transit, Inc.

ASSEMBLYMAN ESPOSITO: You still receive a subsidy, don't you?

MR. KUCHIN: Yes, sir.

ASSEMBLYMAN ESPOSITO: I see it is a small amount. It is \$113,702.

MR. KUCHIN: It is less than that.

ASSEMBLYMAN ESPOSITO: I know it is less than that now, but it is projected for '76, \$113,702.

MR. KUCHIN: We will knock about four or five thousand dollars off that projection. What we had done, we had taken two lines and combined them into one, in order to conserve.

ASSEMBLYMAN CALI: Why don't you continue your thoughts. You said that you applied for permission to ---

MR. KUCHIN: Abandon service, yes, sir. We had the hearings in Plainfield. I believe it was in the police court, an evening meeting. I don't know whether Mr. Ed Mc Keown or Mr. Humphreys was the hearing examiner at that time in the Public Utility Commission, and I was perfectly willing at that time to abandon the service, because outside of the 16 line which is an inner city line, which goes through the inner core area, the operation is not a profitable one. We have since that time tried to hold down the costs. A comparable operation with the same amount of buses was getting three times the amount of subsidy that we were getting. I have always voiced an opinion down at the DOT that I was against the subsidy. To me it was a bad word, and if there was any way to get off it, I would get off it tomorrow. But, you know, it is the old saying, you never look a gift horse in the mouth.

And a good businessman would say, "Okay, you want to give me something to stay in operation, I will. If you don't, you can have it. This is what is happening throughout the subsidy program. There are areas where the State, if they wish to provide service to the outlying areas, where there is no service now, may say, "Well, we will bid this out, or we will contract with the carrier to provide 'X' number of trips a day." But where there is competitive service, and that competitive service, the company who operates it, is ready, willing and able to provide that service without subsidy, then I think somebody is missing the boat when they don't look into that facet of it.

The easiest thing to say is, "Okay, I will pay." The toughest thing to say is, "I am not going to pay. Now, you work out of your little sweat and try to do a little better and see what you come up with." The subsidy program is a difficult one because of a lack of standards that have not been set up, and the proper supervision of said subsidy payments.

ASSEMBLYMAN ESPOSITO: Mr. Kuchin, after you were denied the right to discontinue service by the PUC, did you try to sell the line?

MR. KUCHIN: Oh, the line has always been up for sale.

ASSEMBLYMAN ESPOSITO: There have been no offers?

MR. KUCHIN: No, in fact, I believe, at the hearing, if the transcript is still available, I think I made a statement that I would be willing to give it up for \$1 to someone who wanted to take it over, and we would rent them our garage to use as a facility.

ASSEMBLYMAN ESPOSITO: Is there any competitive service? This line operates in the inner city of Plainfield, completely?

MR. KUCHIN: Yes.

ASSEMBLYMAN ESPOSITO: Is there any competitive service?

MR. KUCHIN: Well, there is one lines that operates completely within the City of Plainfield. That is the 16 line.

ASSEMBLYMAN ESPOSITO: Is that being subsidized?

MR. KUCHIN: That is being subsidized.

ASSEMBLYMAN ESPOSITO: For how much?

MR. KUCHIN: Well, it is the entire operation. We only have the 16 line, the 1822 line, and the 20 line. It is a six or seven bus operation. It is strictly local. It does not charter work, because it doesn't have the equipment to do it. It doesn't have any money to buy and new equipment, so it leases its equipment. We originally took it over from Public Service, I believe, in 1963, or maybe earlier, and we paid Public Service some dollars for little Ford buses that we rent, 28 passenger Ford buses, and when they got to be about 25 years old, we lost those, and we also sold some other hydromatics to Plainfield and when they got to the point where they were 20 or 25 years old, we put them out of service and we leased buses of a newer vintage, and this is what we are running today.

ASSEMBLYMAN ESPOSITO: Now, you have two bus lines in Plainfield, your line and the 16 line that are operating at a loss, right?

MR. KUCHIN: The 16 and 1822, and the 20 line.

ASSEMBLYMAN ESPOSITO: Now, if either your line or the other line was to go out of business or to discontinue, would the other line benefit by an added service, and operate at a profit, or if 16 was to go out of business, would that help your line?

MR. KUCHIN: No, because Suburban Transit is not involved in Plainfield. Suburban Transit out of our garage in South Plainfield are basically interstate from South Plainfield to New York.

ASSEMBLYMAN ESPOSITO: Suburban Transit is yours, isn't it?

MR. KUCHIN: That's correct. I am a one-third stockholder in Plainfield Transit,

which now the other two-thirds is owned by two different estates. And again I say, if there is anybody who would like to buy it, it would take a headache off my hands.

ASSEMBLYMAN ESPOSITO: You mean you would give it away for nothing, \$1?

MR. KUCHIN: Yes, sir.

ASSEMBLYMAN ESPOSITO: Mr. Gilhooley just said that he sold the line for a sizeable amount, and that was a line that wasn't making money.

MR. KUCHIN: I will tell you, the easiest thing to say and to do, I guess, is as long as you have income coming in, and you are able to supplement that income with any future losses that you may have, I guess you can sit with something until somebody comes along and wants to buy. It is just like these people who own farmland property and get the farmland assessment, the carrying charge was not great because of the tax break on it, and they are able to sit with that property until such time that they get in the position where they want to sell it.

ASSEMBLYMAN ESPOSITO: When you go on subsidy, do they allow you the loss just for your operating expenses, or do they allow you to get something on your investment?

MR. KUCHIN: No, there is nothing to be gained on your investment. The subsidy program as set up now, supposedly, is to repay your operating loss.

ASSEMBLYMAN ESPOSITO: Are you allowed as an officer of the corporation to take a salary or do something?

MR. KUCHIN: Yes, but that salary is under scrutiny, and it is constantly looked at and taken into consideration and if you want an increase in salary, you have to apply to the Department of Transportation or they will pick it up in your prepared budget for the subsequent fiscal period and they will approve it, cut it down somewhat, or deny it. In my little company there, the salaries are minimal.

ASSEMBLYMAN ESPOSITO: You as a bus operator, do you favor the idea of a fact finding commission composed of people in the business plus others?

MR. KUCHIN: I very much do, because there is nobody in this world that knows the situation in the State of New Jersey as those who are involved in it, and I am not talking about a committee member who is going to be arbitrary. I am talking about someone well-versed in the bus business in the State of New Jersey who is willing to look at this thing from aback, and say, "Well, now, this is what I think we should do." It might very well be that somebody will come up with a better answer, but at least, from our point of view, and our sector of the State, there isn't anything that moves down there that we don't know about. We know what our competition is; we know what the competition is running; we know what we are doing. We are alert, and we are wide awake on everything that happens in our area. We have ideas of what should be done. We have presented an idea that we had developed, and nothing ever came of it, but again, there is agreement and disagreement. You are not always right, but you are not always wrong, either. Where you have the best interests at heart, I think that your ability to translate problems into a final result becomes very evident.

ASSEMBLYMAN ESPOSITO: I am trying to get an idea as to the size of your operation. Now, you have this Plainfield Transit Line, and you say it contains about eight buses. The other operation that you have operates without subsidy. How large is that company?

MR. KUCHIN: We operate about 126 buses. We operate about 360 to 400 times a day in and out of New York, during the rush hour out of New Brunswick we run every five minutes, out of the Port Authority at night we ride every five minutes.

ASSEMBLYMAN ESPOSITO: Those are competitive, aren't they? They are not lower, and they are not higher?

MR. KUCHIN: Our fares are competitive with Public Service, Transport of New Jersey, in the area that we serve, yes, sir.

ASSEMBLYMAN ESPOSITO: Assemblyman Dennis.

MR. KUCHIN: I would like to correct something. This last fare increase that was given to TNJ, I believe they are a couple of cents higher on commutation. I am not tooo sure on that, sir.

ASSEMBLYMAN ESPOSITO: Yours, or theirs?

MR. KUCHIN: Theirs.

ASSEMBLYMAN ESPOSITO: Assemblyman Rys.

ASSEMBLYMAN RYS: No questions.

ASSEMBLYMAN DENNIS: No questions.

ASSEMBLYMAN CALI: I would like to thank you very much. I think he gave expert testimony.

ASSEMBLYMAN ESPOSITO: There is one questions I would like to ask you, would you be willing to serve on the fact finding commission?

MR. KUCHIN: Yes, sir. Thank you.

ASSEMBLYMAN ESPOSITO: Mr. Bill Beren. Bill, state your name and your affiliation, please.

W I L L I A M B E R E N: My name is William Beren and I am the Legislative Agent for the League for Conservation Legislation. LCL is a citizens' lobby concerned with the impact legislation has on environment and natural resources.

ASSEMBLYMAN ESPOSITO: Excuse me, Bill, do you have copies of your presentation for me?

MR. BEREN: I don't have copies for distribution.

ASSEMBLYMAN ESPOSITO: Okay. You always do that, you know.

MR. BEREN: I try but I had too many things to do so I could not prepare this in advance.

Because of the relationship between mass transit ridership and air pollution, energy conservation, and land use patterns throughout the State, we are concerned about the future of mass transit in the State of New Jersey. We therefore have taken the time to testify before this committee today.

One of the issues that the committee has been very much concerned with today has been to find ways to improve competition within the bus industry in the State and to get the industry back on a paying basis.

LCL believes that this is not necessarily the option that the committee should be looking at right now. The sole criteria that you have been looking at is really the fiscal health of the mass transit.

New Jersey is one of the few states which continues to leave the responsibility for providing this essential public service in the hands of private companies. Even worse is the fact that this responsibility is splintered among over 200 companies with little or no coordination of transfer rights, scheduling, and routing between the companies, without which no public transit system can successfully compete against the automobile.

Because of our concern over issues such as air pollution, energy conservation, and land use patterns, we feel that these factors should be equal in your concern as to what makes a good mass transit system in the State, as well as just the question of whether the companies are operating on a fiscally sound basis or not - not that we are not concerned with that aspect as well.

Apparently the nationwide trend away from mass transit over the past 30 years or so has had its impact in New Jersey, making it no longer economical for many of the private companies to continue service. This has focused attention on the problem of mass transit and forced the State into the role - into an active role by subsidizing the bus lines.

Criticism of this increased State role in transit is centered on two issues: One, if the State should philosophically be in the business of subsidizing mass transit and, two, that people won't ride it. In point of fact, public transit is the only form of transportation which, historically, has not received public subsidy.

According to the author of New Jersey and the Automobile Age, a History of New Jersey, governments at all levels in the United States have spent well over \$150 billion on the construction, maintenance, policing, and for interest payments on the nation's highway system since 1920.

During the '60's nearly \$10 billion per year was spent on highways, \$3 billion of which came from general tax funds. In addition, governments, again at all levels, spent \$9 billion subsidizing the air transport system and \$3 billion on inland waterways each year.

In contrast, the nation's railroads were paying into the public treasuries over \$1 billion in taxes. Now that public transit is no longer paying its own way,

we do not think it is unreasonable to ask that we subsidize public transit, as well as the other forms of transportation I have mentioned.

When we look at the subsidy issue, we should not just be considering the actual outlay cost of paying the subsidies. We should also look at the benefits that increasing mass transit ridership will bring to the State, in terms of not needing excess road capacity. One clear example right here in New Jersey is the success that the exclusive bus lane into the Lincoln Tunnel has had in reducing the pressure of vehicle traffic through the tunnel and the reducing need for widening that road and otherwise expanding the capacity of a section of 495.

The second criticism leveled against public transit is that people don't ride it and therefore it not important to subsidize it. While it is true that public transportation ridership has been steadily dropping since World War II, that trend was reversed nationwide three years ago when the gasoline crisis hit.

In New Jersey there are literally thousands of people who could ride the trains and buses to work and who choose not to because service is so bad. We note that with each bus strike, with each fare increase, with each service cut-back, ridership goes down. Yet, when the Newark Subway decreased its fare from 40¢ to 10¢ during peak rush hours, it made money on the deal because ridership increased by more than 300%.

The same is true in city after city, from Atlanta to Seattle. Better service not only increases urban mass transit use but increases suburban use as well. For example, the Seattle mass transit system had a gain of 600,000 riders in June '75 compared to June '74. Suburban ridership in the Seattle area increased 40.8%. Thus, claims that New Jersey is too suburbanized for people to use mass transit has no basis in fact.

Ridership gains in metropolitan areas across the country have followed the establishment of a regional transportation authority, consolidation of bus routes under one management and an aggressive advertising campaign. In order to accomplish the same gains in New Jersey, we see three priority needs. One, we must establish a sound financial base for the mass transit network that we have. Second, we must centralize responsibility for mass transit in one agency. And, third, that agency must be given sufficient powers to carry out its mandate.

Centralization of authority - as a first step LCL advocates the centralization of all bus decisions within the Commuter Operating Agency and the Department of Transportation. As it stands now, the COA is responsible only for subsidized lines and the Public Utilities Commission retains jurisdiction over non-subsidized lines.

It is not clear to us as to what form of control and operation is best for New Jersey. The choice, as Commissioner Sagner laid them out, is a Public Transportation Authority on the State level, regional and county authorities, continuation of the franchise system we now have with slightly more State control over what happens, or possibly having the Department of Transportation actually own and operate the buses.

We tend to support an Authority over direct control by the Commissioner of Transportation but we have many reservations about the Authority's responsiveness to public needs. We are therefore awaiting the DOT studies to see the policy options.

Three of the bills you have before you today deal with setting up a commission to study the best way to go about buying the bus systems.

We are not sure that the kind of legislative committees recommended in the bills are necessarily the proper vehicle to use and we look at the poor record of legislative committees in the past - taking a long time to get activated, you have to wait for the Governor to appoint the members, and everything else. It is an unwieldy

proposal.

We suggest that this committee use the studies the Department of Transportation is doing with the following condition - that the Department merely study the options available to the State in organizing the bus operations.

Now, the consultants should be in a position not to recommend a particular set of circumstances to this committee but to lay out the policy options. What are the costs? What are the benefits of each approach? And then have this committee and the legislature, as a whole, choose from among the policy options as to what is the best proposal.

We feel this would involve the legislature in the most productive way; it would allow the experts to actually look at issues; and have the legislature as the policy agency, with the proper input from lobbyists like ourselves and the bus companies and everyone else advising you as to really what the best way is to approach this matter. This does not mean that we should stand still until those studies are done, however.

In the meantime, we believe that the COA should be given primary control over the bus routes to consolidate all problems dealing with transit - this includes subsidized and non-subsidized carriers - and that the COA should be given specific authority to do the following: One, to authorize the establishment of new bus routes to service new traffic generating facilities, such as shopping centers, industrial parks and housing developments not currently served by transit. This is a problem mentioned with the new industrial and commercial developments going on in South Plainfield where many companies, including Prudential, are moving in. They discussed with Transport of New Jersey the possibility of opening up bus lines in said area and from what I understand it has been very difficult and Transport of New Jersey is very reluctant to service these new areas with bus service. We feel centralizing the authority in one Agency will facilitate that and actually put the State in a position of mandating that these areas be served by buses.

Second, an Authority should be given responsibility for coordinating scheduling and transfer privileges between modes - that is, bus and rail - and between individual bus lines. In this way, the inconvenience and loss of time associated with transferring between rides can be reduced, making transit more attractive.

The third point is, the Authority should be able to centralize bus information services and serve as an advertising center and be an aggressive promoter of bus service. There is a number I can call if I want to use a Transport of New Jersey line; there is a number I can call from within the Mercer County area if I want to use Mercer Metro. If I want to find out bus schedules for any other independent line, I have no idea of who to call to get that information. This has to be centralized if you expect people to use those lines; they have to know where to get the information.

The fourth point is that we need a strong coordination of planning efforts between transit and highway planners to facilitate the efficient use of public transit on the State's highways and local roads. This would include planning for bus stops, express bus lanes, and park-and-ride facilities, while planning for the construction and, better yet, the reconstruction of our roads.

The fifth immediate thing that can happen, that we feel should happen, is that the State should be in a position to find adequate service levels in terms of cleanliness, promptness, and frequency of service for all carriers - not just those that are under contract to the Department - including bus lines that are now operating, supposedly at a profit - or at least without subsidies.

Funding - Perhaps the major problem which has not been addressed by any of the bills before the committee today is the issue of funding public transportation.

It seems clear, as the Mercer Metro experience shows us, that merely solving the organizational problems associated with bankrupt lines - putting them into an authority - will not alleviate the need for subsidy. Indeed, there is every reason to expect that mass transit operating costs will continue to climb well beyond the ability of the fare box to pay for them and some form of regional mass transit tax, or funding mechanism, must be found.

The speaker before me made reference to the Mercer Metro experience showing that for every dollar that is put into the fare box, Mercer Metro spends \$2.15, showing that, of course, an Authority is not the proper way to go about it. However, what the speaker didn't mention was that the reason an Authority is in Mercer County is because the private bus companies went bankrupt ten or fifteen years ago. I wasn't really around then so I am not quite sure of the date.

There is a role for an Authority to play - where there is a need for bus service, where it is not economically feasible, or where it is not profit-making. We don't think that should be held against the Authority for doing a bad job. What has to be done is to find some kind of regional tax, some kind of regional funding mechanism that will help an Authority operate.

The third major point where I feel this committee will have an immediate impact is in the planning aspect. To carry out any restructuring of the subsidy program will require an enlarged staff in DOT. According to the OFA analysis, transit planners are only 1% of the DOT planning staff. This imbalance must be corrected and the staff must be beefed up. In addition, DOT planning should be coordinated with projects in other departments which relate to mass transit, particularly the Department of Environmental Protection Air Pollution Control program, which has, as a large part of its strategy, to shift people from automobiles to mass transit, and the State Energy Office's Energy Conservation Plan which also should include shifting people from cars to mass transit.

As far as the present subsidy program goes, I don't think anyone would argue that the present subsidy program in New Jersey is inadequate to the task. There are cases where we are subsidizing carriers in competition with non-subsidized lines. It must be made clear exactly what constitutes duplicate service and the question of whether individual lines are operating at a deficit or if the entire operation is operating at a deficit must be clarified. One of the main reasons why the independents - the non-subsidized carriers - are making a profit is because they can pick and choose the lines they serve, and they specifically do serve profit-making routes.

You have a situation where Transport of New Jersey has the mandate to serve portions of the State which are not mainline areas - there is not heavy traffic - yet, there is a need for mass transit service and it is important that service continue. The reason why TNJ rates are so high is because the profit-making lines are used to subsidize the non-profit-making parts of TNJ. Now, obviously, there are questions. Where TNJ can economize, all companies can economize and I urge the committee to seek those out and to correct where there is a definite case of fraud and cut out that subsidy.

But, when you are talking about duplicate service, such as the 31 line down South Orange Avenue, you must realize that the TNJ route covers a wider area than the other line. It extends all the way to Maplewood and goes into Ironbound District in Newark. The South Orange Avenue line only operates within the Newark boundaries. The other benefit of the TNJ service is that it is a State bus network. You can transfer from the TNJ line to other lines. If you are coming down South Orange Avenue and you want to transfer to a TNJ bus going down Broad Street you can do that. You can't do that on the independent.

Now if the Department can devise a system whereby you have a series of independent bus operators - where you have a separate operator running on each street and each route - and you can effectively develop a transfer operation and make sure that service in less dense areas is continued and you can do this using purely independent operators, that is fantastic, I suppose. I strongly doubt whether you can actually do that and this is the reason why TNJ, as a State bus line, or, as an alternative to that, a State run Authority, is an important thing for this committee to be considering. This is an important reason why LCL believes that at this point in time without additional studies - we are awaiting the Department studies - that a system of putting out bus routes to the highest bidder, as Senator Dodd has proposed, or replacing TNJ routes with independents does not make sense.

Let me give you one example which affects me. I live in Newark, near Broad Street. I have a choice of a TNJ bus at 40¢ or an independent bus at 25¢, except that I have to go to Penn Station to catch the train to Trenton. Now, on TNJ I can get a 10¢ transfer. It costs me 50¢ to take the TNJ bus at 40¢ plus a 10¢ transfer to the subway to Penn Station. If what you consider duplicate service - the TNJ service - were dropped and I had to take the independent line, then I would have to pay 25¢ for the independent plus probably 40¢ to go down to Penn Station on the TNJ bus down Market Street, making it much more expensive.

These are some of the considerations I hope you will look into when you talk about duplicate service and the reasons why TNJ is running at such a high cost.

The only other thing I have to add, in terms to why some companies are operating at a profit and other companies need subsidies is, I would just echo Peter Stangl's point of view that maybe the major factor is the route the carriers are taking. For example, one subsidized company that runs through my area has excellent service, runs on time, has very clean service, and would be something I could take if it were slightly more convenient to my house.

The independent I mentioned before, that I take almost every day to work, is extremely dirty. I don't think they ever sweep out their buses. The buses are old, probably 15 or 20 years old.

ASSEMBLYMAN ESPOSITO: That doesn't happen in Jersey City, remember that.

MR. BEHRENS: Well, it happens in Newark.

ASSEMBLYMAN ESPOSITO: It doesn't happen in Jersey City. You know, if you had been here earlier and you said that, you wouldn't have gotten out of that door. They take pride in their buses, the independent bus owners in Jersey City.

MR. BEHRENS: Well, I am not saying that every independent bus service is like this. Here we have an example of a poorly-run independent making a profit and a well-run independent being on subsidy.

ASSEMBLYMAN ESPOSITO: All you guys have me dizzy today. You keep telling me about a well-run company like TNJ. Now--

MR. BEHRENS: No, I am not talking about TNJ. I am talking about a well-run company like DeKamp which runs its buses-- It has been on and off subsidy.

ASSEMBLYMAN ESPOSITO: They are not on subsidy this year.

MR. BEHRENS: Okay. They are a company that runs on and off.

ASSEMBLYMAN ESPOSITO: They are off subsidy.

MR. BEHRENS: These are the factors and I urge you to look at them.

ASSEMBLYMAN ESPOSITO: Well, you see, I beg to differ with your opinion. First of all, you are a lobbyist for your particular group. I don't agree with some of the statements that you have made.

Number one, you can't get the people to ride the buses to go anywhere because

we don't have adequate highways in Hudson County for the buses to move. Your group comes out against highways in Hudson County. We cannot build a new route 1 and 9 parallel to Tonnele Avenue, something that is badly needed. We have tie-up after tie-up on Tonnele Avenue. It is the main south-north route in the county and you people lobby tremendously against it - your group.

MR. BEHRENS: We haven't lobbied specifically against 1 and 9.

ASSEMBLYMAN ESPOSITO: Yes, you have.

MR. BEHRENS: I haven't.

ASSEMBLYMAN ESPOSITO: You haven't yet but-- Did you know that the stalled traffic causes more air pollution than traffic that is moving?

MR. BEHRENS: Yes, it does. The only problem with that, Mr. Chairman, is that in many of the instances where highways have been built, the situation arises that -- The reason why there is a lot of traffic on the old route is because there are a lot of stores and traffic-generators there. That traffic is going to remain the same. There are still tie-ups. One example I can think of quite clearly is route 46. That is still a heavily traveled road.

ASSEMBLYMAN ESPOSITO: I see that you are in agreement with the Commissioner - you don't believe in any fact-finding commission?

MR. BEHRENS: No, I didn't say that.

ASSEMBLYMAN ESPOSITO: I think you did.

MR. BEHRENS: Well, we don't agree--

ASSEMBLYMAN ESPOSITO: You made me feel like you have no faith in the Legislature in the State of New Jersey.

MR. BEHRENS: No, as a matter of fact, just the opposite.

ASSEMBLYMAN ESPOSITO: If you go over your statement, you will find the statements there.

MR. BEHRENS: Let me clarify what I said.

ASSEMBLYMAN ESPOSITO: Okay.

MR. BEHRENS: What I said is, I don't believe that we should have the kinds of committees that are set up in the bills.

ASSEMBLYMAN ESPOSITO: You did mention something about the Legislature.

MR. BEHRENS: Right. No, what I said about the Legislature is that we need the experts to look at the options, not to make recommendations to the Legislature but to analyze the options, to look at the cost and benefits of each, and then present this committee and the Legislature as a whole with their findings. What are the costs of having a Transportation Authority in the State? What are the benefits of having a Transportation Authority in the State? What is the cost of having a total franchise operation in the State? And what are the benefits of that? Having that data, you, as the legislature and the policy-making body for the State, should be in a position to say, "These are the facts. In hearing these facts we see that a franchise operation will cost 'this'; the authority will cost us 'that'; balancing the two we feel we should go with the franchise operation."

ASSEMBLYMAN ESPOSITO: Who runs Metro in Mercer County?

MR. BEHRENS: The county.

ASSEMBLYMAN ESPOSITO: The county instead of an authority?

MR. BEHRENS: It is a county authority.

ASSEMBLYMAN ESPOSITO: But you believe that authorities should run them? They have been running in the black tremendously.

MR. BEHRENS: They have been in the red.

ASSEMBLYMAN ESPOSITO: In the red, I meant to say that.

MR. BEHRENS: I am not saying that a county should run--

ASSEMBLYMAN ESPOSITO: Do you believe in a State takeover?

MR. BEHRENS: We are undecided. There are numerous options. Basically, what we are arguing for is for a strong state role in planning and a strong state role in coordinating transit so that we have an effective and efficient state mass transit system. We don't believe in having independent companies running independent operations.

Now, if you can have a franchise operation and effectively coordinate 200 separate franchises in the state, so that I can get from one part of the state to another by bus with a minimum of problems, then that will satisfy us.

ASSEMBLYMAN ESPOSITO: Bill, do you realize what it costs for a coordinated mass transit system in the State of New Jersey? It runs into billions and billions of dollars.

MR. BEHRENS: I am not saying -- I am not necessarily saying state ownership. I am talking about an effective planning device; I am talking about a system whereby new routes can be established; I am talking about a system where old routes can be gotten rid of if they are no longer necessary; I am talking about a system where I can transfer from say a South Orange Bus to a TNJ Bus, if those are the buses I have to use to get somewhere; I am talking about being able to call up one central number and finding out the best way to get from point "A" to point "B".

ASSEMBLYMAN ESPOSITO: The South Orange Bus doesn't go directly to Newark Station?

MR. BEHRENS: Yes, it does.

ASSEMBLYMAN ESPOSITO: It does? Why can't you get a transfer from them?

MR. BEHRENS: I think I can get a transfer on the South Orange Line. There are independents, like the one that runs by my house. - I don't even know the name of it - along Broad Street, where I can't get a transfer. This is the type of thing I am talking about.

ASSEMBLYMAN RYS: You are talking a great deal about inter-city bus lines. I agree with Mike and what he said, prior to your answers. The simple reason for this is, if you want to take a look at mass transportation and what a calamity it is, you go to East Rutherford and you will see all the buses are lined up because they can't take Tonnele Avenue, they can't get on Route 1, they can't get on Route 9 to go to the Lincoln Tunnel, the Holand Tunnel and the bridges. And you people are lobbying against this and then you come up here and give us sort of a cock and bull story that you are worrying about the cities.

I think what you should do is reverse your action and say, "Now, we need highways to get to these bridges and tunnels so we can move the traffic."

MR. BEHRENS: Can I answer?

ASSEMBLYMAN ESPOSITO: Maybe I can make a deal with you. Will your group come out and endorse a 1 - 9 Freeway in Hudson County?

MR. BEHRENS: Our group would come out and endorse an improvement to the existing 1 - 9.

ASSEMBLYMAN ESPOSITO: It is almost impossible to improve 1 - 9 because to get the right-of-way to widen the road would cost \$400 million. You know it is impossible. You cannot widen Tonnele Avenue.

MR. BEHRENS: Well, let me respond specifically to Mr. Rys.

ASSEMBLYMAN RYS: What are you going to do when the Sports Complex opens up? People are going to look at television because they won't be able to get there. It would take them until Tuesday to get to see Sunday's game.

MR. BEHRENS: Let's look at the Sports Complex.

ASSEMBLYMAN RYS: I have to go, Bill, if you don't mind.

ASSEMBLYMAN ESPOSITO: Well, wait one minute.

MR. BEHRENS: Don't you want to hear my answer?

ASSEMBLYMAN ESPOSITO: Don't talk about the Sports Complex because your group was against building the Sports Complex there.

MR. BEHRENS: No. Specifically on the transportation issue - first of all, you point out that we need more highways so that these buses can get to the bridges and tunnels. I tried to point out that access can be provided in alternate ways. The only way to do it is not through a new highway. I think the perfect example is the express bus lane now running on Route 3, between the Turnpike and Lincoln Tunnel, where we haven't expanded the highway; we have set aside one lane exclusively for buses. If you look at it now it is wall-to-wall buses. They are all zipping along at 40 or 50 miles per hour.

ASSEMBLYMAN RYS: That is not true.

MR. BEHRENS: When I have seen it, they are.

ASSEMBLYMAN RYS: I came down there this morning and I have been going to Jersey City for the last three or four--

MR. BEHRENS: Maybe because of the construction.

ASSEMBLYMAN RYS: No.

ASSEMBLYMAN ESPOSITO: You don't know what is going on in Jersey City. They are always jammed up, every day in the week - even before they started construction. There is a bus man here who travels all the highways in Jersey City. You always have stalled and jammed traffic.

MR. BEHRENS: When I have come through the tunnel during rush hour - I have been on the express bus line - those buses go right through.

ASSEMBLYMAN ESPOSITO: Bill, let's cut it short. Would you endorse a 1 - 9 Freeway for Hudson County?

MR. BEHRENS: I will endorse an improved 1 - 9.

ASSEMBLYMAN ESPOSITO: You are just getting off the hook, that's all.

MR. BEHRENS: There are other options to look at.

ASSEMBLYMAN ESPOSITO: Are there any other questions? John.

ASSEMBLYMAN CALI: I don't think Bill is too far off base, Mike, because the traffic is so bad on Tonnele Avenue they shut the motor off and they don't do anything.

ASSEMBLYMAN RYS: Seriously, Bill, we have a problem getting into the Lincoln and the Holland Tunnel. Really, take a day off and see.

ASSEMBLYMAN ESPOSITO: Thank you, Bill.

MR. BEHRENS: You are a tough committee.

ASSEMBLYMAN ESPOSITO: A tough committee? You see, there is another thing I want you to know about this committee. We take pride in it. Gus served on the last committee. I want you to remember that it has been this committee that has forced Ronan and the Port Authority to jump in bed on a new mass transit system for the State of New Jersey.

MR. BEHRENS: Absolutely.

ASSEMBLYMAN ESPOSITO: And it is this committee that did it and nobody else. I don't want anybody to take the credit for it.

MR. BEHRENS: You have our thanks for that.

ASSEMBLYMAN ESPOSITO: Okay.

Randy Brown. Please state your name and who you represent.

R A N D Y B R O W N: My name is Randy Brown. I am President of the Hudson County Bus Rider's Association. I would just like to say I am glad you gentlemen are here but it is a shame you came after August, September, October and November when, basically,

the Hudson County Bus Rider's Association, after that first sham of a public hearing that the COA held one floor down - on the 4th floor - which they called a public hearing about the bus cut backs and the fare increases-- The whole thing we are talking about now is the subsidies.

We went to Trenton. I am sure two of you gentlemen got a copy of a petition we circulated throughout the county. We left a copy of the petition with each one of the Hudson County Assemblymen, on their desks, because we weren't able to meet with all of them. The only person we met with was Assemblyman Esposito. He was very helpful in setting up a meeting with the people from DOT.

When we went there, we asked for specific information, which we never got. Assemblyman Esposito called up and asked them and they gave him a promise that the information would be mailed out to us. We went back again on September 29th and asked for the same information. We met at that time with five officials of the COA. I don't have their names because, really, I didn't come here today with a prepared statement. But, I can mail you all of the information - who we met with; specifically what was discussed; and everything else.

We left. The same thing was said, "Give us time. We definitely have the information and will send it to you in one more month." We waited for the mail - for it to be mailed out to us. It was not mailed. We came back again and gave them not one month but two months. We came back again November 29th. That was the last time.

We met with Mr. Peter Stangl himself, Mr. Sagner's Executive Assistant, and Mr. John Tilli. There were six of us from the Hudson County Bus Driver's Association. At that meeting we were promised by Mr. Stangl that the following information would be mailed out to us:

First, a criteria based on the subsidy system. In other words, what was the criteria for rejection and what was the criteria for approval.

Two, the number of overhauls and the amount of each, by company.

Three, the number of fare increases each company had since they had been on subsidy.

Four, the number of buses that every company had that was subsidized. We wanted to know the number of workers each company had and the wages being paid to those workers. We wanted to know the types of facilities and the equipment and the garages that they had. We wanted to know the amount of passengers that each line that was subsidized was carrying.

Five, the amount of loss and profit, showing why they should get subsidy.

But, the main thing we wanted to know was how long had they -- What companies were on the program when it first came into effect and what companies were on it now and, per year, what companies were added to it and how many, per year.

Also, we wanted to know their rate of increase from - according to Mr. Esposito's statement in the Jersey Journal and from what he passed out to date - 1969, when it was started.

So, what we were really asking for was, from 1969 to 1975 what has been the rate of increase for every company on subsidy?

What we did find out was that out of the total subsidy, the TNJ alone gets 3/4th of all subsidy in the entire State of New Jersey.

The thing we were glad to hear today was when somebody spoke about the monopoly interests that are taking over transportation. It has been pointed out here today that TNJ owns Maplewood Equipment Company, Intercity, Northeast, Orange and Black, but it has not been pointed out that TNJ is part of the Manufacturer Hanover Trust monopoly, which owns Public Service, Prudential Life Insurance Company, Campbell Soup, National Airlines, Chrysler, Bristol Meyers, Gillette, United Food, Englehart Industries, First

Jersey National Bank, Fidelity Union and Trust - just to name a few. All of that is part of the same family. Those records can be found by going to the Standard and Poor's Utilities Index in New York City and also by going to Fortune Magazine research - they will give you that information, as well as what is a part of that monopolistic family.

The other thing that we are mainly concerned with is, as I said, from August right up to this date - ever since the first public hearing - that the subsidy program is, itself, basically a ripoff because just like all the other subsidy programs it is only benefiting big business - whether you are talking about wheat or transportation, or Lockheed. The subsidies are nothing but ripoffs of the majority of the taxpayers' money. And when you talk about the majority of the taxpayers, you are talking about the majority of the workers themselves.

The other thing we feel is, at the same time TNJ brags about the high salaries they give to their workers, we feel that doesn't mean anything, based on how hard the workers have to actually struggle to earn their living.

The second thing we look at is that the workers themselves, right here in Hudson County and Essex County - parts of it that are urban - have to go back and forth to factories and the people depend upon TNJ to get to work, as in the instances with the postal service and with the workers in Kearny, New Jersey, out by Route 7. All of these things were raised last August at the public hearing. COA, DOT, PUC, didn't take any of that into account.

That is the point that primarily we have been basically raising because the position we have always taken is that the subsidy program should be wiped out. Because you are going to have subsidies coming out of the people's tax money and you are going to turn right around and not only charge them but give them a rate increase. Now, that is definitely a ripoff. That is nothing else but a ripoff. They are paying twice and in some ways they might be paying three times.

The other thing that we have raised is, we feel that there should be some type - if not an authority - of uniform regulatory agency. What we mean by that is-- This is another thing we found out in doing some of our research. They say DOT, which is the Department of Transportation; they say PUC, the Public Utilities Commission; and they say the COA, the Commuter Operating Agency. Well, who is the Commuter Operating Agency? It is the Assistant Director, Peter Stangl himself; the Director, Alan Sagner; the State Treasurer; and, of course, Mr. Grossi from the PUC. Now, how is that going to be --

ASSEMBLYMAN ESPOSITO: He is not there anymore.

MR. BROWN: Oh, all right. Well, at that time that is who it was. Thank you, Mr. Esposito.

ASSEMBLYMAN ESPOSITO: I would like to interrupt you before you go any further because we wanted to stop at 5:30 and it is a little past 5:30.

I would like to ask you a couple of questions before you leave. You know, your statement is beginning to puzzle me. Do you really represent the Hudson County Bus Riders or the ATU?

MR. BROWN: I don't understand why you ask if I represent the ATU.

ASSEMBLYMAN ESPOSITO: Because you seem to be pleading for the workers that get \$6.96 an hour. They are the highest paid men--

MR. BROWN: I did not say the bus workers, Mr. Esposito. I said workers in general.

ASSEMBLYMAN ESPOSITO: You said they were working for something like starvation wages.

MR. BROWN: What I said is, TNJ is bragging about the high salaries they

are giving them.

ASSEMBLYMAN ESPOSITO: Well, they are giving high salaries.

MR. BROWN: I am not disagreeing with that. All I am saying is that they are bragging about it but at the same time they do not mention how those men earn their salaries. What I mean about that is, while Mr. Gilhooley can brag about \$6.00 an hour, he does not brag about how he is getting his sum of money, whatever it may be.

ASSEMBLYMAN ESPOSITO: He is entitled to it because he is a highly paid employee of the company and he is supposed to be an expert in the field of transportation.

MR. BROWN: All I am saying is that is an inequity. That is all I am saying. I just used TNJ because they have been sitting here and everytime you hear them they sound as though they are doing something good because they are paying \$6.00 an hour - or \$7.00 an hour.

*M.P.E.*

(A portion of the testimony of Mr. Brown, which is not relevant to the subject matter of the public hearing, has been deleted.)

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