

ANNUAL REPORT 2004

Twenty-Five Years of Service

POWERED BY EXPERIENCE, MOTIVATED BY OUR CUSTOMERS

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MISSION STATEMENT NJ TRANSIT's mission is to provide safe, reliable, convenient and cost-effective transit services with a skilled team of employees, dedicated to our customers' needs and committed to excellence.

EXECUTIVE COMMITTEE

George D. Warrington
Executive Director

D.C. Agrawal
Assistant Executive Director,
Corporate Strategy, Policy and Contracts

Joseph C. Bober
Chief, NJ TRANSIT Police

Lynn M. Bowersox
Assistant Executive Director,
Corporate Communications and External Affairs

William B. Duggan
Vice President and General Manager,
Rail Operations

James J. Gigantino
Acting Vice President and General Manager,
Bus Operations

Robert J. Guarnieri
Auditor General

Frank J. Hopper
Assistant Executive Director,
Procurement and Support Services

James P. Redeker
Assistant Executive Director,
Policy, Technology and Customer Service

Richard R. Sarles
Assistant Executive Director,
Capital Planning and Programs

Alma R. Scott-Buczak
Assistant Executive Director,
Human Resources

Gwen A. Watson
Board Secretary

H. Charles Wedel
Chief Financial Officer and Treasurer

MESSAGE FROM THE GOVERNOR



There are few things more important to New Jersey's economic development and progress than maintaining a sound transportation system. NJ TRANSIT has come a long way in overcoming the challenges posed by the transit system it inherited 25 years ago. Today, NJ TRANSIT delivers reliable services that attract ridership, stimulate transit-oriented development and smart growth, and are accessible to everyone.

During FY2004, NJ TRANSIT made measurable progress in expanding capacity for its customers and preparing for future ridership growth. NJ TRANSIT increased parking by 4,140 spaces, added nearly 96,000 seats on trains, and adjusted or added more than 110 bus routes to improve service for customers. NJ TRANSIT has introduced new services, stations and facilities, and is moving forward on a new rail passenger line under the Hudson River.

NJ TRANSIT's commitment to new and better services helps us all. Members of New Jersey's talented workforce travel safely to work and contribute to our state's growing economy. Drivers spend less time on congested roads—reducing polluting car emissions and providing more time at home. And it has never been easier to visit the many destinations—from beaches to ballparks—that make New Jersey a great place to live, work and play.

With each investment in the transportation system, we are building a better New Jersey and an improved quality of life for our residents and for generations to come.

A handwritten signature in black ink that reads "James E. McGreevey". The signature is stylized and includes a large flourish at the end.

James E. McGreevey
Governor

BOARD OF DIRECTORS



NJ TRANSIT Board of Directors

Left to right: (standing)
John L. McGoldrick;
Myron P. Shevell, Vice Chairman;
Jack Lettiere, Chairman;
Paul T. Fader, Governor's Representative;
Patrick W. Parkinson;
(seated) Flora M. Castillo;
Robert Smartt, Treasurer's Representative

MESSAGE FROM THE CHAIRMAN



For a quarter century, NJ TRANSIT has demonstrated its commitment to improving and expanding public transportation opportunities in New Jersey. NJ TRANSIT has built a solid organization that has modernized and connected our transportation network. These strides have resulted in improved service reliability and efficiency, increased mobility for our customers and more public transportation options for New Jersey residents.

The accomplishments of the past year rank FY2004 as one of the most significant in NJ TRANSIT's 25-year history. With the opening of the Frank R. Lautenberg Rail Station at Secaucus Junction, NJ TRANSIT is positioned to meet anticipated growth and travel demand for the first time in its history. The station serves as a critical rail passenger hub by connecting 10 of NJ TRANSIT's 11 rail lines, and provides an important link to popular destinations such as Newark Liberty International Airport, the Meadowlands, and New York City.

NJ TRANSIT debuted the long-anticipated River LINE in FY2004. This 34-mile light rail system brings expanded travel options to southern New Jersey residents, an area previously underserved by public transportation. Since opening the new line in March, NJ TRANSIT has seen a steady growth in ridership. Service has been enhanced, offering a 15-minute frequency during peak periods and better early morning connections with rail and bus services in Trenton. The River LINE system is revitalizing the communities it serves, triggering transit-oriented developments that provide job opportunities and convenient housing near an affordable, reliable public transportation option.

NJ TRANSIT has held the line on fares and, as a result, helped maintain the vitality of our public transportation system. Under Governor McGreevey's leadership, NJ TRANSIT has kept fares stable while expanding capacity, investing in core infrastructure, increasing security, and improving customer service.

Thanks to a dedicated team of innovative transportation professionals, NJ TRANSIT has evolved into one of the leading transit systems in the nation. I applaud NJ TRANSIT's accomplishments over the years and am proud to play a role in its continuing development.

NJ TRANSIT begins the next quarter century committed to meeting the capacity challenges that lie ahead and to providing quality service for its customers. I look forward to working with the Board of Directors and Executive Director George D. Warrington to ensure that NJ TRANSIT addresses the mobility needs of New Jersey's residents now and in the future.

A handwritten signature in black ink that reads "Jack Lettiere". The signature is written in a cursive, flowing style.

Jack Lettiere
Transportation Commissioner & NJ TRANSIT Board Chairman

MESSAGE FROM THE EXECUTIVE DIRECTOR

I vividly recall the day Senator Frank X. Herbert, Governor Brendan Byrne and Commissioner Lou Gambaccini signed the legislation to create NJ TRANSIT. This important step on July 17, 1979, led to the formation of the nation's first state agency devoted exclusively to public transit, and began the long road of improving public transit in New Jersey.



As we commemorate this important milestone in our history, we look back on some of our accomplishments. Our first 25 years have been remarkable in many ways. We have replaced antiquated bus, rail and light rail rolling stock with state-of-the-art equipment to improve reliability and customer comfort. Reliability also improved through critical investments in infrastructure to support our services and maintain our system in a state of good repair. And we have been using new technologies to dramatically improve security, communications with customers, ticketing, dynamic signage and information sources such as our website and interactive voice response system, to deliver better service for our customers.

New services and stations have come online to expand and connect our system and provide more travel options for New Jersey residents. This past year, we unveiled the Frank R. Lautenberg Rail Station at Secaucus Junction, one of our most significant accomplishments to date. We also introduced River LINE, a new light rail line that travels along the scenic Delaware River between Camden and Trenton. Both of these services are long-term investments in communities where population growth is expected and the demand for public transit will become more prominent.

Most importantly, we have made significant progress in improving the travel experience for our customers. Our Back to Basics approach places our customers at the center of our business decisions, guiding our investments, service strategies and placement of resources.

Meanwhile, we are planning for growth with an additional rail passenger tunnel under the Hudson River that will double peak-period rail capacity between New Jersey and New York. We have advanced design and preliminary engineering work on THE Tunnel (Trans-Hudson Express Tunnel), which also includes a two-track rail line along the Northeast Corridor, a rail connection to Bergen County rail lines, and a new rail station in New York City. The project has growing support from business, labor and other stakeholder interests on both sides of the Hudson River.

I want to thank Governor Brendan Byrne and Commissioner Lou Gambaccini for their vision, which launched NJ TRANSIT so many years ago. I also want to recognize Governor James E. McGreevey, Commissioner Jack Lettiere, state and federal legislators, commuter groups and NJ TRANSIT Board members for their leadership and support through the years. NJ TRANSIT has come a long way in the past 25 years, thanks to the dedication, creativity and enthusiasm of our employees and their enduring commitment to our customers.

A handwritten signature in black ink, appearing to read "George D. Warrington". The signature is fluid and cursive, written over a light blue horizontal line.

George D. Warrington
Executive Director



River LINE improves mobility and serves as a catalyst for economic development and smart growth in southern New Jersey.

CELEBRATING 25 YEARS AND LOOKING AHEAD

As we celebrate NJ TRANSIT's 25th anniversary, we reflect on our first quarter century of growth and accomplishments. Since the New Jersey Transit Corporation was created on July 17, 1979—the nation's first state agency devoted exclusively to public transit—we have become the third-largest transit system in the U.S. Today we serve more customers over a larger geographic area, delivering more transportation options to more people than ever before. We've grown from 622,800 passenger trips daily in FY1980 to more than 752,600 passenger trips currently.

Connecting the transportation network has been a long-term goal, and we have made tremendous strides in achieving this objective. We have electrified our most heavily patronized rail lines, rebuilt much of our infrastructure, refurbished or constructed new stations, overhauled or replaced antiquated bus and rail equipment, and added more service and parking spaces to make travel reliable and convenient for our customers.

by improving mobility, reducing congestion, stimulating residential, commercial and transit-friendly development, and providing access to jobs.

Improvements to our statewide transportation network will continue, positioning us to meet our goal of doubling rail capacity between New Jersey and New York with a new trans-Hudson tunnel—part of the Access to the Region's Core project.

NJ TRANSIT now provides a wide variety of services beyond our traditional bus and rail systems. Light rail, private carrier and Access Link paratransit services have been added since the inception of NJ TRANSIT. All of these services play a critical role in driving the state's economy

The vision that launched NJ TRANSIT 25 years ago has been refined over the years, but our mission has not changed—to provide safe, reliable, convenient, cost-effective transit services to the people who live and work in New Jersey.



New stations and services are attracting more riders.

The Access to the Region's Core project is NJ TRANSIT's highest priority to meet future demand growth.



- 1979**
- July 17—legislation signed creating New Jersey Transit Corporation
 - First board meeting held in December
 - Used E8 diesel locomotives purchased



- 1980**
- Transport of New Jersey and Maplewood Equipment Company acquired
 - North and South Jersey Transit Advisory Committees created



BUSINESS PRIORITIES: BACK TO BASICS

NJ TRANSIT's Back to Basics focus on customer service, which puts customers at the center of all business decisions, affected virtually every aspect of customer interface with the transit system in FY2004—making our entire organization more sensitive and responsive to customer needs.

Investments to maintain our system in a state of good repair and enhancements to communications and security initiatives have improved system reliability, safety and security. Service improvements, from more seats, parking spaces and travel options, to faster ticketing, have increased customer satisfaction and core system capacity.

SECURITY INITIATIVES

During FY2004, NJ TRANSIT continued to focus intensely on security, with an emphasis on vigilance. We augmented the number of police officers and K-9 units patrolling our maintenance and storage facilities, stations and trains by 34 positions. Assisted by State Police helicopters, NJ TRANSIT Police conducted regular aerial inspections of our infrastructure. Our track inspection/maintenance employees increased the number of their inspections and intensified their vigilance for suspicious objects and people.



Bus supervisors at major terminals help customers with service information.

We encouraged customer alertness through a comprehensive communications campaign, including public address announcements, posters, customer notices and media outreach, and established a hotline number, 1-888-TIPS NJT, for reporting suspicious activities and packages.

We received \$5.1 million of federal funding for security, which we are investing in equipment—radiation pagers, infrastructure surveillance systems, equipment to protect our infrastructure, portable x-ray machines and biochemical hazard suits—to help first responders.

Working closely with the Secret Service, the New York Police Department and local law enforcement agencies, we intensified security measures in preparation for the August 2004 Republican National Convention at Madison Square Garden, located above Penn Station in New York City. Actions included developing service contingency plans and travel advisories for customers; training approximately 1,680 NJ TRANSIT frontline employees and mechanical staff, New Jersey State Troopers, Correctional Officers and local emergency response personnel to better assist customers; and obtaining 63 additional K-9 units to assist in inspecting New York-bound trains and equipment in rail yards.



NJ TRANSIT Police regularly patrol stations to ensure security.

- 1981**
- Bus and rail information center combined into one toll-free call center
 - GF-870 buses and F40PH-2 diesel locomotives join fleet



- 1982**
- Transport of New Jersey and Maplewood Equipment Company merged and renamed NJ TRANSIT Bus Operations, Inc.
 - Teletype service for hearing impaired initiated
 - North Jersey Coast Line electrified to Matawan
 - MC-9A cruiser buses and Comet II rail cars join fleet



Additional train departure monitors improve communications at Penn Station New York.



train departures, in July 2004, we installed four new double-sided train display monitors throughout the concourse.

To improve on-time performance for customers traveling to and from Penn Station New York, we worked with the U.S. Coast Guard to minimize openings on Amtrak's Portal Draw Bridge during peak-service hours. During a 90-day trial period, the number of bridge openings decreased from 13 to one, or 92 percent, and the hours of train delays decreased from 20 hours and 15 minutes to 54 minutes, or 96 percent, compared to the same period during 2003. A second 90-day trial period is planned to begin in December 2004.

CUSTOMER COMMUNICATIONS ENHANCEMENTS

The ability to communicate effectively with our customers is vital to ensuring a smooth-running transit system that meets the needs of busy commuters. In FY2004, NJ TRANSIT initiated new programs and technologies and enhanced others to improve communications, simplify policies and respond to customer needs in a timely fashion.

New Office of Operations Communications

Consistent with our customer-first policy, we established the Office of Operations Communications to enhance information distribution to frontline rail employees, enabling them to provide more timely, accurate and direct information to customers on-board trains and at stations, particularly when there are service disruptions. We equipped more than 1,000 frontline train crewmembers with Nextel direct-connect devices so that they can communicate with our Operations Communications coordinators—and with each other—in real time, to supplement radio relays between dispatchers and engineers with customer service-related information. Operations Communications coordinators also communicate with crews using text-messaging features to send up-to-the-minute information about train status and service issues to pass along to passengers.

Emergency response improvements

In FY2004, we upgraded our capacity to respond to emergencies in a number of ways. We revitalized the Emergency Response Team and created HUB



Train crewmember receives real-time service information to assist customers.

Penn Station New York customer focus

The Terminal Operations Center, NJ TRANSIT's command center at Penn Station New York, underwent upgrades in FY2004 to improve customer communication and response time to service changes. We expanded the space to work more closely with Amtrak's operations staff and public address announcers, improving interagency coordination and allowing more advance train boardings and timely announcements for customers.

Penn Station New York customers also benefited from the installation of 23 new ticket vending machines with faster printers, an enhanced air-conditioning system, and better communications from and among NJ TRANSIT customer service representatives and operations personnel. And to assist customers in identifying tracks for



NJ TRANSIT participates in emergency response drills to prepare for emergency situations.



- 1983**
- January 1—NJ TRANSIT operates first trains: 3801 from New York and 951 from Hoboken
 - NJ TRANSIT Police Force created
 - Metro A transit buses and used E60CP electric locomotives join fleet
 - Arrow II electric multiple units rehabilitated

- 1984**
- Morris & Essex Lines electrification modernized
 - Arrow III placed in service on Morris & Essex Lines



- 1985**
- Volvo articulated buses join fleet

and GO teams consisting of employees trained to help customers at main terminals and incident locations during service disruptions and severe weather. During this past year, we deployed nearly 400 team members in response to 12 incidents to assist thousands of customers. Team members, working closely with NJ TRANSIT Police, Rail Operations and Bus Operations staff, also participated in drills to ensure a focused, well-coordinated and ready response to any emergency. Drills included exercises in Penn Station New York, conducted with other railroads and local law enforcement agencies, and first-responder training in Summit and Hillsdale for rail emergencies.

Additionally, NJ TRANSIT led the Trans-Hudson Task Force, which included representatives from major agencies throughout the New Jersey-New York metropolitan area. The task force—formed following a regional blackout in August 2003—took a comprehensive look at improving interagency responses to emergencies, including joint communications, customer service and customer communication initiatives. The task force reviewed Manhattan-New Jersey bus, rail and ferry services and alternatives that could be used in the event of an emergency. They also worked through multiple service disruption and contingency scenarios, developed traffic management plans to prevent gridlock in Midtown Manhattan, and created inter-agency command and communication protocols. In July 2004, task force members distributed a multi-modal reference guide to customers to provide alternate transportation options and key agency telephone numbers and website addresses.

Customer service training for frontline employees

In April 2004, our Board of Directors approved a contract to create a two-year Customer Service

Training Program for nearly 1,650 rail employees. Formed in response to input from more than 15,000 transit customers and more than 100 front-line employees, the program will help train crews and ticket agents develop their skills in interacting with customers, and ensure that they thoroughly understand and can effectively communicate policies, fares, schedules and connecting services.

Customer service presence prominent

As part of our commitment to focus on customer needs and improve service quality, we opened customer service centers in the main concourse of the Port Authority Bus Terminal in New York City and in the waiting room at Trenton Station. Staffed by customer service representatives, who work one-on-one with customers, the centers feature walk-up windows and plenty of information, such as maps and timetables. We also placed customer service representatives at the George Washington Bridge Bus Terminal to assist customers at that location.

Website redesign

In response to customer and employee input, we developed a more user-friendly website design with new features and functions, and introduced it to customers in July 2004. Some new features include drop-down menus and quick links to the most popular pages, and a new EZ Trips function, which allows customers to plan trips directly from the homepage. Other enhancements include adding popular New York City landmarks to the Itinerary Planner, a Newark Liberty International Airport connections link and a Fast Find function to help customers find fares and bus service quickly by route or town. We also added an NJ TRANSIT news section to make information about our services, activities and promotions easier for customers to locate.



New Customer Service offices at Port Authority Bus Terminal and Trenton Station enhance interaction with customers.



Customers receive information on transportation alternatives to prepare for service disruptions and emergency situations.

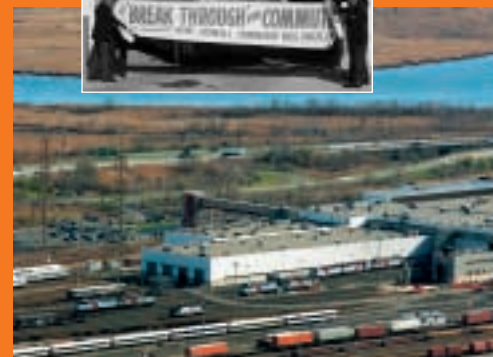


New and recently overhauled buses provide a comfortable and reliable trip for customers.

- 1986**
- Refurbished transit buses and rehabilitated Comet I rail cars join fleet
 - Arrow I electric multiple units converted to Comet IB rail cars



- 1987**
- Meadows Maintenance Complex and Howell Garage open
 - MC-9B cruiser buses, rebuilt GP40FH-2 diesel locomotives and Comet IIB rail cars join fleet





(top) The Frank R. Lautenberg Rail Station at Secaucus Junction connects 10 of NJ TRANSIT's 11 rail lines.
(bottom) Senator Frank R. Lautenberg greets customers on opening day of weekday service at Secaucus Junction.

The reconstructed Rancocas Bridge allows rail and marine traffic to operate simultaneously, eliminating delays caused by bridge openings.



reached an average of 5,400 weekday passenger trips by the end of FY2004 and increased to about 7,000 trips by September 2004.

To facilitate a smooth and safe transition for customers, we gradually phased in service at the station. We hired more than 100 new frontline employees, including conductors, assistant conductors and engineers; took delivery of 29 new high-horsepower electric locomotives and more than 120 new Comet V coach cars, with more on the way; increased weekend service; and constructed or expanded storage yards, passenger facilities, tracks, switches and signals to support the operation.

SERVICE AND MOBILITY IMPROVEMENTS

In FY2004, we made improvements throughout the NJ TRANSIT system that upgraded the quality and connectivity of services we deliver to our customers. We expanded rail capacity with 147 additional trains and 95,672 more seats, increased the number of trips on 33 bus routes, rescheduled service to better meet customer demand on 45 routes, and rerouted or extended 33 routes in response to customer requests. We also opened the Frank R. Lautenberg Rail Station at Secaucus Junction, a critical rail link, and launched a new light rail line.

Debut of Frank R. Lautenberg Rail Station at Secaucus Junction

On September 6, 2003, we celebrated the opening of the Frank R. Lautenberg Rail Station at Secaucus Junction, the centerpiece of the NJ TRANSIT system and the recipient of the New York Construction News 2003 Transit Project of the Year Award. This \$609 million transportation hub links 10 of 11 NJ TRANSIT rail lines for the first time, giving our customers unprecedented interconnectivity with New York City and many destinations throughout New Jersey. Ridership

River LINE launched

March 2004 marked the debut of NJ TRANSIT's River LINE, a light rail transit connection between Camden and Trenton that gives many residents easier transit access and better mobility, enables them to reach jobs and other destinations, and serves as a spur to economic development in the region. The light rail line spans 34 miles and includes 20 stations and 3,232 new parking spaces. It is also the first light rail system in the U.S. to use diesel-powered vehicles for regular service.

River LINE provides links to other NJ TRANSIT services, including the new Capital Connection, an NJ TRANSIT bus service that transports customers to, from and within the state capital. Travelers also can connect with bus service along the light rail line and NJ TRANSIT, Amtrak, PATCO and SEPTA trains, giving them easy access to Midtown Manhattan, Atlantic City, Philadelphia, Newark Liberty International Airport and more. In part due to an extensive marketing campaign, ridership approached 5,700 weekday passenger trips by September 2004, closing in on the first year projection of 5,900 passenger trips.



- 1988**
- North Jersey Coast Line electrified to Long Branch
 - Washington Township Garage opens

- 1989**
- Atlantic City Line service restored
 - Camden Transportation Center opens
 - Metro B suburban and transit buses and Eagle cruiser buses join fleet



Parking space increases

Parking is a critical issue for NJ TRANSIT customers. In FY2004, we continued to expand parking capacity to meet current and future demands resulting from existing and new passenger services, including the opening of Secaucus Junction. Working with the New Jersey Department of Transportation, the state's program includes adding nearly 20,000 parking spaces by 2008. In FY2004, we added approximately 4,140 parking spaces, including 3,232 spaces on the River LINE, 235 spaces at 22nd Street (Hudson-Bergen Light Rail), 232 spaces at Toms River Bus Terminal, 139 spaces at Montvale, 115 spaces at Towaco and 187 spaces at other stations. During FY2005, we will open over 3,850 spaces.



Investments in parking have increased travel options.

Ramsey Route 17 and Montclair State University stations and parking decks

Investments in construction projects to increase travel options and parking capacity in two communities in northern New Jersey neared completion in FY2004, and opened in August 2004. We introduced new state-of-the-art stations with parking decks in Ramsey and Little Falls, offering 1,251 parking spaces at the Ramsey Route 17 Station and 1,500 parking spaces at the Montclair State University Station in Little Falls.



Ramsey Route 17 Station offers greater travel flexibility and parking options.

Ticketing advancements

In FY2004, it became easier and faster for NJ TRANSIT customers to purchase tickets. We launched Quik-Tik, a web-based subscription program that enables customers to pay for monthly passes online and make adjustments to their itinerary and personal information. As part of our program to upgrade ticket vending machines (TVMs), we sped up the ticket printing process at certain rail stations and began working on major telecommunications network and software upgrades to reduce the transaction time for credit card and debit card sales at major stations. We phased in 38 new TVMs at 21 locations along the Main and Bergen County lines, as well as at other locations.



Ticket vending machines offer convenience and timesavings.

Access Link upgrades

Access Link—one of only a few statewide Americans with Disabilities Act paratransit systems in the U.S.—provides more than 500,000 trips annually in a coordinated multiregion travel system. In FY2004, we added on-board mobile data computers that provide real-time trip information. Future upgrades include the addition of an interactive voice response telephone system and new Web access that will allow customers to schedule pick-ups, check status of trips and cancel trips.



Access Link provides service to customers with disabilities who cannot use fixed-route services.

- 1990**
- Bus and rail support functions centralized
 - First cross-border lease used for ALP44-O electric locomotives



- 1991**
- Waterfront Connection opens
 - Compressed natural gas transit buses join fleet
 - Overhauled Arrow III rail cars, Comet III rail cars, ALP44-O electric locomotives and remanufactured GP40P locomotives begin delivery





(above) The new 22nd Street Station opened along the Hudson-Bergen Light Rail, expanding service options. (above right) Hudson-Bergen Light Rail provides access to Hoboken Terminal's trains, buses and ferries.



Hudson-Bergen Light Rail expansion

In FY2004, this successful system—which opened in 2000 and has nearly 16,500 weekday passenger trips—continued to expand north and south to connect a growing ridership to destinations along the Hudson waterfront, as well as to the cross-Hudson ferry and PATH terminals. In November 2003, we opened the 22nd Street Station in Bayonne. The system expanded north of Hoboken Terminal to 2nd Street and 9th Street/Congress Street stations in Hoboken and Lincoln Harbor Station in Weehawken in September 2004. The light rail line is scheduled to extend into North Bergen in late 2005.

Newark City Subway extension

Scheduled to open in 2006, the one-mile Newark City Subway extension, linking Newark Penn Station and Newark Broad Street Station, will provide connecting service to six NJ TRANSIT rail lines, as well as to Amtrak and PATH, and will stop at the New Jersey Performing Arts Center, the Newark Bears baseball stadium, the Newark Museum and the Newark downtown business district. In FY2004, we began construction of an 850-foot tunnel that is part of the extension and began work on the tracks, catenary, communications systems, signals and stations.

Transit-oriented development projects and Transit Villages

NJ TRANSIT assisted communities in developing plans for fostering and creating compact, mixed-use development patterns that encourage pedestrian activity and public transit ridership. During this past year, we helped to advance several key transit-friendly community studies and plans, including projects for Hamilton, Newark, Jersey City, Dover, Netcong, Camden, West Windsor, Somerville, Secaucus, and communities along the River LINE system. In addition to these projects, several communities became Transit Villages in FY2004. The Transit Village initiative is a multi-agency, smart growth partnership spearheaded by NJ TRANSIT and the New Jersey Department of Transportation. Communities that were designated Transit Villages include Belmar, Bloomfield, Bound Brook, Collingswood, Cranford and Matawan.

INFRASTRUCTURE INVESTMENTS

Maintaining, upgrading and adding to our infrastructure are essential to providing our customers with a reliable and convenient transportation experience that meets their needs. In FY2004, we improved our rail and bus operations and made capital improvements throughout the system.



The extension of the Newark City Subway to Newark Broad Street Station will improve connectivity in downtown Newark.



1992 ■ Key Station program initiated to meet ADA requirements

1993 ■ Camden Transportation Center rededicated as Walter Rand Transportation Center
 ■ Atlantic City Line service extended to Philadelphia
 ■ Access Link service begins
 ■ Meadowlands Bus Maintenance Facility opens
 ■ Remanufactured GP40PH-2B locomotives purchased



Rail system

Upgrades to our rail system included the installation of 3.4 miles of safety fencing at five locations, painting of four railroad bridges along the Morris & Essex Lines, new slope protection and drainage at three locations, replacement of a 135-foot historic through-truss bridge on the Gladstone Branch, significant steel repairs to nine bridges throughout our system, rehabilitation of two bridges in Plainfield on the Raritan Valley Line, and substructure repairs to piers along the HX Bridge, which spans the Hackensack River. We also installed 10.5 miles of continuous welded rail, replaced 71,200 railroad ties and surfaced 74 miles of track.

Bus facilities

Infrastructure improvements at bus facilities included construction of a new Operational Training Center and police K-9 area at Ferry Street in Newark and a Customer Service Office at Port Authority Bus Terminal, upgrades to inspection pits and in-ground lifts at several maintenance facilities, rehabilitation of the ticket offices at Old Bridge Park & Ride and Port Authority Bus Terminal, and roadway improvements at Hoboken Terminal, as well as improvements to ventilation systems, fencing and security systems.



New articulated buses ensure mechanical reliability and offer more seats for customers.

Bus purchases and upgrades

Adhering to our Back to Basics approach of using new technologies to improve efficiency and serve our customers with state-of-the-art equipment, in FY2004, we began operating seven hybrid electric buses, which reduce fuel consumption by 15 to 25 percent compared with conventional diesel buses. We also expanded our fleet with four cruiser buses—completing our total procurement of 1,375 cruiser buses—and replaced older buses with 85 new articulated buses, offering our customers the latest in comfort and convenience. And we moved ahead with plans to acquire 289 new transit and suburban buses, and to perform a midlife, in-house overhaul of 314 Nova B transit buses after completing overhauls on 174 of our Nova A fleet buses, so that major components and subsystems can be remanufactured or upgraded to the latest industry standards.



Customer and employee input drive design of multilevel rail cars.

Rail car purchases

In FY2004, NJ TRANSIT took delivery of 64 Comet V rail cars and completed our overhaul program of 160 Comet II rail cars. Delivery will begin in 2006 on the 100 multilevel rail cars we purchased to ease crowding on trains, particularly between Newark and New York. Designed with input from customers and employees, the more spacious cars feature two-two seating with wider seats and molded seat backs for more comfort and legroom, better public address systems and electronically controlled doors with pneumatic sensitive edges for obstruction detection and safety.



Rail car purchases allow NJ TRANSIT to modernize and expand the fleet, and provide additional seating capacity.



In-house overhaul extends the life of Nova A and Nova B buses.

- 1994 ■ Morristown Line and Boonton Line service extended to Hackettstown
- Metro D suburban and transit buses join fleet



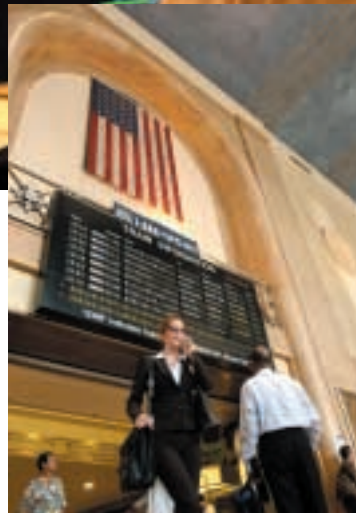
- 1995 ■ Wildwood Bus Terminal and Ironbound Bus Maintenance Facility open
- Nova A buses and ALP44-E locomotives join fleet
- Newark Bus Complex completed
- Port Morris Yard opens





New state-of-the-art Rail Operations Center in Kearny.

(right) Train departure information is readily available throughout Newark Penn Station.



Rail Operations Center consolidates operations

FY2004 saw a major advance in operations management, as we incorporated most of NJ TRANSIT-controlled territory into one state-of-the-art Rail Operations Center. The facility brings together, for the first time, the core controlling elements of the agency's Rail Transportation Department—train dispatching, traction power distribution control, remote operation of moveable span bridges, crew dispatching, equipment resource management, and the new customer information group—into one building. The center also features the Train Management and Control (TMAC) system, an integrated real-time system that manages train movement, power distribution and control of moveable span bridges.

Station renovations

Working to improve accessibility and the travel experience for our customers, we moved ahead with renovations at a number of stations. Some projects under construction or planned include:

- Significant improvements to Trenton Station, focusing on circulation and connectivity enhancements, including enlarged waiting areas; a new entry building with associated services; new lighting, elevators, escalators, stairs and air-conditioning; a landscaped plaza; and more than doubling of retail services.
- Accessibility improvements at Newark Penn Station, including additional elevators and new escalators, raised and rehabilitated platforms, new lighting and glass doors, and improved communications systems.
- Accessibility upgrades at Morristown, Madison, East Orange and South Orange stations on the Morris & Essex Lines and Ridgewood Station on the Main Line.



- 1996**
- MidTOWN DIRECT service launched on Morris & Essex Lines
 - NJ TRANSIT website introduced
 - First transit DBOM contract in nation awarded for Hudson-Bergen Light Rail system
 - Egg Harbor Township Bus Maintenance Facility opens
 - Comet IV rail cars and ALP44-M locomotives join fleet and F40PH-2 locomotive rehabilitation begins



1997 ■ New Atlantic City Bus Terminal opens

- Rehabilitation and waterproofing of historic viaducts at Brick Church, East Orange and South Orange stations on the Morris & Essex Lines.
- Pedestrian improvements at South Amboy Station on the North Jersey Coast Line.
- Restoration of historic Bloomfield Station on the Montclair-Boonton Line and Ramsey Station on the Main Line.
- Reconstruction of Woodbridge Station on the North Jersey Coast Line, including construction of new platforms, stairways, shelters and accessible restrooms.
- Reconstruction of the Metropark Station platforms and elevators on the Northeast Corridor.
- Accessibility and capacity improvements at Newark Broad Street Station on the Morris & Essex Lines, including the rehabilitation of the station building and surrounding railroad bridges, and construction of a new inbound high-level platform, center-island high-level platform, stairways, elevators, shelters and restrooms.

Morrisville Yard opens

This new facility in Falls, PA, which stores Northeast Corridor trains, opened in March 2004. Designs for the second phase are underway, which will allow NJ TRANSIT to store and maintain up to 250 rail cars, with construction slated for completion in 2006. The new yard allows us to operate trains more efficiently through Trenton Station, minimizing train congestion with Amtrak and SEPTA trains and reducing delays for customers. The additional storage capacity also enables us to add more trains and more cars to existing trains, when possible, increasing seating availability for Northeast Corridor customers.

Irvington Bus Terminal construction advances

Substantial progress was made on construction of this new terminal, located in the heart of downtown Irvington. The project includes a new waiting room with a ticket/concession area, accessible restrooms and six bus lanes. We opened a temporary terminal, ticket trailer and new bus lanes to assist customers as construction of the new building nears completion.



Irvington Bus Terminal will provide enhanced customer amenities.

Atlantic City Bus Terminal moved

To accommodate Atlantic City improvement plans, NJ TRANSIT is moving the Atlantic City Bus Terminal one block north. The relocation project, which is funded by the Casino Reinvestment Development Authority, includes construction of a new 25,600-square-foot multilevel terminal building, plus 13 new bus-boarding platforms, nine new off-platform bus-staging locations, and 42 new employee and tenant parking spaces.

Rail yard expansions increase capacity and improve efficiency.



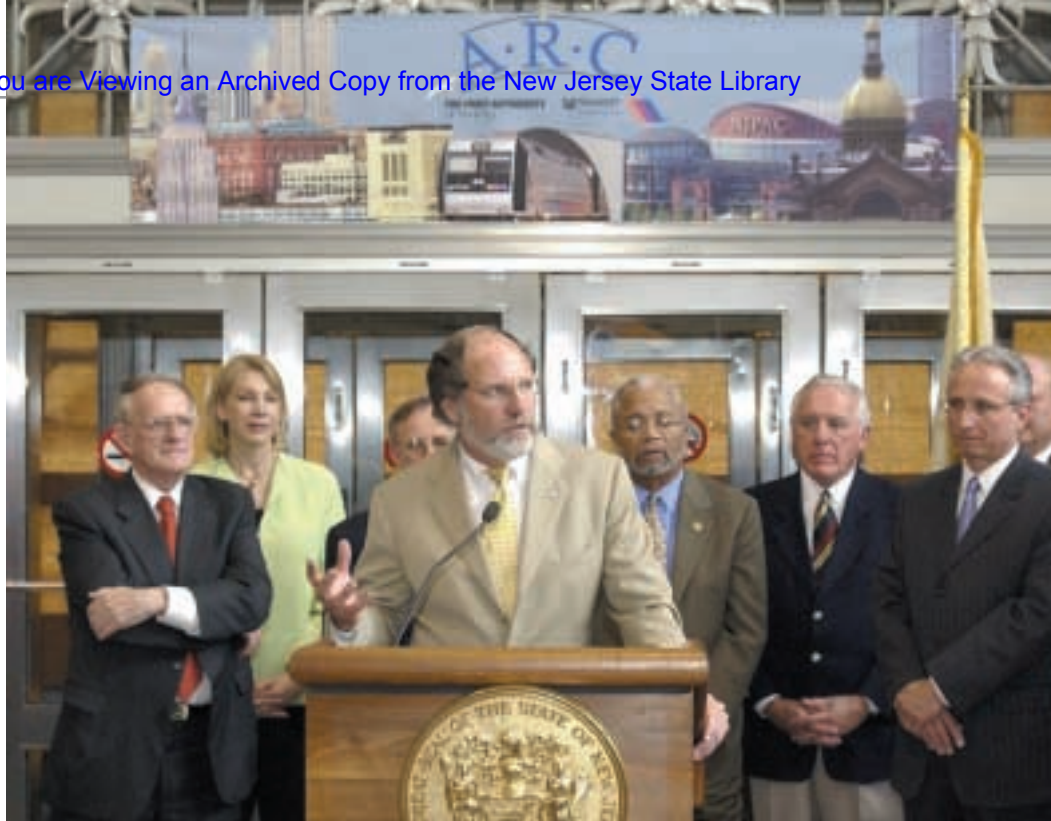
- 1998** ■ Wayne Bus Maintenance Facility and Hamilton Bus Maintenance Facility open



- 1999** ■ First Transit Villages formed
 ■ Nova B buses and D-3 compressed natural gas cruiser buses join fleet
 ■ Proof of Payment system introduced on the Newark City Subway



- 2000** ■ Hudson-Bergen Light Rail service begins and extended to Newport
 ■ Hunter Connection completed



Senator Jon Corzine (center), Transportation Commissioner Jack Lettiere (far right), and other community and business leaders at an Access to the Region's Core event at Newark Penn Station.



The next generation of riders looks on.

BUSINESS STRATEGY FOR THE FUTURE

NJ TRANSIT has incorporated its Back to Basics philosophy into its everyday business practice and will continue to aggressively control costs and increase efficiencies and commercial revenues. We are also maximizing fare revenue by pursuing market growth in targeted areas where capacity exists, and planning for expansion where demand growth is forecasted.

New Jersey and New York City employment growth trends showed a marked increase in FY2004, compared to the prior two fiscal years. Tracking with that trend, NJ TRANSIT realized a 3.4 percent ridership increase by the end of March 2004 compared to the same period in FY2003. In addition to the economic upturn, new services—including the Frank R. Lautenberg Rail Station at Secaucus Junction and River LINE—are attracting more riders.

LAYING THE FOUNDATION FOR FUTURE GENERATIONS

Public transportation has evolved during the past 25 years with NJ TRANSIT successfully responding to increased demand by providing transit services to communities to facilitate their growth and to employment centers including New York City. In the short term, we expect demand to increase as new services come online such as the extension of the Hudson-Bergen Light Rail and Newark City Subway systems, as well as the rail link to the Meadowlands Sports Complex.

Today about 120,000 daily passenger trips are made by train between New York and New Jersey and we expect that number to grow to more than 200,000 over the next two decades.



- 2001**
- Newark Liberty International Airport Station opens
 - Newark City Subway modernized, vehicle base facility opens and new light rail cars introduced
 - Metro D suburban and transit buses begin rehabilitation
 - D-4000 and D-4500 cruiser buses and ALP46 electric locomotives join fleet



- 2002**
- Montclair-Boonton Line (Montclair Connection) opens, providing MidTOWN DIRECT service
 - 7th Avenue Concourse opens at Penn Station New York
 - Newark City Subway extended to Grove Street
 - Hudson-Bergen Light Rail extended to Hoboken
 - Comet V rail cars join fleet

Trans-Hudson Express Tunnel

During FY2004, we began preparing for demand growth by advancing the Access to the Region's Core (ARC) design and preliminary engineering work for a Trans-Hudson Express Tunnel (THE Tunnel). THE Tunnel would more than double peak-period passenger rail capacity into Manhattan. The project includes a new two-track commuter rail line along the Northeast Corridor between Newark and New York City, a two-track tunnel under the Hudson River, a rail connection with NJ TRANSIT's Bergen County rail lines, and a new passenger station facility under 34th Street in New York City between 8th Avenue and Broadway. This project will allow commuters on the Main/Bergen County, Pascack Valley and Raritan Valley lines to have a one-seat ride into Midtown Manhattan. The project will be implemented in pieces so the benefits of added capacity will begin to be realized by 2010. Construction on the early action improvements at Penn Station could begin in late 2006. The two-tube tunnel and station construction could begin in 2009 and end in 2014.

The Federal Transit Administration is providing approximately \$8.5 million for the completion of the Draft Environmental Impact Statement (DEIS) and other planning work related to THE Tunnel. During FY2004, we completed the project scoping process and narrowed down location alternatives for the new station. We also worked and/or met with The Port Authority of New York & New Jersey, Metropolitan Transit Authority, members of the New York congressional delegation and mayor's office, business and community organizations, labor groups and other interested individuals in New Jersey and New York to build a broad understanding of the project and gain regional support. The DEIS is scheduled to be completed by summer 2005.

Meadowlands rail link

Working with The New Jersey Sports and Exposition Authority, we are advancing plans to construct a two-track, 1.8-mile commuter rail spur to the Meadowlands Sports Complex from the Main/Bergen County Lines and Pascack Valley Line. The new rail link will allow customers to travel to Giants Stadium and the Continental Arena by connecting with rail service at Secaucus Junction, and supports long-range development initiatives for the Meadowlands Sports Complex. The project is funded by The Port Authority of New York & New Jersey.

POWERED BY EXPERIENCE, MOTIVATED BY OUR CUSTOMERS

We look back on our first quarter century with a feeling of accomplishment and look forward to serving future customers as demand for transit service continues to grow. NJ TRANSIT's commitment to our customers will remain at the core of our business decisions as we embark on the next 25 years.

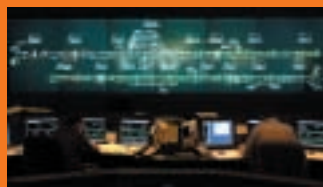


Train crewmembers are available to assist customers with travel needs.

A strong commitment to customer service is at the heart of NJ TRANSIT's mission.



- 2003**
- Frank R. Lautenberg Rail Station at Secaucus Junction opens
 - High-density signal system on Northeast Corridor completed
 - Hudson-Bergen Light Rail extended to 22nd Street
 - Rail Operations Center opens in Kearny
 - RTS06 hybrid transit buses and D-4000 hybrid cruiser buses purchased



- 2004**
- Morrisville Yard opens in Falls, PA
 - River LINE service begins
 - Ramsey Route 17 and Montclair State University stations open
 - Hudson-Bergen Light Rail extended to Weehawken
 - Atlantic City Bus Terminal relocated
 - AN460RC articulated suburban buses and AN460RD articulated transit buses join fleet



ADVISORY COMMITTEES BOARD OF DIRECTORS

To assure citizen representation, two transit advisory committees—one serving North Jersey and the other South Jersey—regularly advise the Board of Directors on passengers' opinions. Committee members are appointed by the Governor with the approval of the State Senate.

North Jersey Transit Advisory Committee

Suzanne T. Mack, Chair
 Ronald Monaco, Vice Chairman
 Nino Coviello
 Michael DeCicco
 John Del Colle
 Robert Dinardo
 Kathy Edmond
 Margaret Harden
 Peter Koelsch
 Steven Monetti
 Timothy O'Reilly
 Ralph White
 William R. Wright

South Jersey Transit Advisory Committee

Anna Marie Gonnella, Chair
 Ruth Byard, Vice Chair
 Jeffrey Marinoff, 2nd Vice Chair
 Robert Dazlich, Secretary
 Richard D. Gaughan
 Calvin O. Iszard Jr.
 Daniel Kelly
 Val Orsinmarsi
 Dominick Paglione
 Fred Winkler

The Americans with Disabilities Act (ADA) Task Force includes individuals with disabilities who assist NJ TRANSIT in the implementation of its ADA improvements plan.

The Americans with Disabilities Act Task Force

Gerald Caprio
 John Del Colle
 Harriet Findlay
 Robbie Friedner
 Eric Laufenberg
 Lee Nash
 Robert Paige
 Virginia Peters
 Kenneth Wedeen
 Ina White

The Private Carrier Advisory Committee was created in 1986 to monitor the concerns of New Jersey's private carriers.

Private Carrier Advisory Committee

Francis A. Tedesco, Chairperson
 Roger W. Bowker
 Robert DeCamp
 Marta M. Mazzarisi

The Local Programs Citizens Advisory Committee advises NJ TRANSIT on public transit decisions regarding accessibility issues.

Local Programs Citizens Advisory Committee

Sigmund A. Kay, Chairperson
 Ann Burns, 1st Vice Chairperson
 Larry Karas, 2nd Vice Chairperson
 David Peter Alan
 Ernest Anemone
 Richard Bartello
 Kathleen Belles
 Donald Boeri
 Ellen Brockman
 Margaret Cook-Levy
 David Loux
 Harriet Findlay
 Frank X. Herbert
 Joseph Phillips
 Richard Pinho
 Rue Zalia Ray
 John Stanik
 William R. Wright

JACK LETTIERE

Chairman

A career New Jersey Department of Transportation (NJDOT) employee, Jack Lettiere was named Commissioner of NJDOT in December 2002, and oversees 16,000 employees and a \$3 billion annual budget. He is Chairman of the Board of Directors of the New Jersey Transit Corporation and the New Jersey Transportation Trust Fund Authority, and serves on the boards of a number of other organizations, including the New Jersey Turnpike Authority and the South Jersey Transportation Authority. Prior to being named Commissioner, Mr. Lettiere served as Assistant Commissioner for Capital Investment at NJDOT, managing capital programs since 1993. He is a graduate of the General Motors Institute of Technology with a Bachelor of Science in Industrial Engineering. He holds a Masters of Business Administration from Rider University.

MYRON P. SHEVELL

Vice Chairman

Appointed to the Board of Directors in May 1995, Myron P. Shevell chairs the Board Capital Planning, Policy and Privatization Committee and serves on the Board Audit Committee. Mr. Shevell is Chairman of the Board of New England Motor Freight and Chairman of the Shevell Group, which includes real estate, trucking and logistic companies. He is also Board Chairman of the New Jersey Motor Truck Association and Regional Director of the Bank of New York. A resident of Long Branch, Mr. Shevell has worked in the trucking industry for more than 40 years.

PAUL T. FADER

Governor's Representative

Paul T. Fader serves as Chief of the Authorities Unit and Deputy Chief Counsel in the Governor's office, where he is responsible for overseeing the operation of New Jersey's 53 independent authorities, boards and commissions. He was appointed to the Board of Directors in April 2003 and currently serves on the Board Administration and Customer Service committees. Formerly a partner with the law firm Connell Foley LLP, Mr. Fader received his law degree from Rutgers University School of Law. Prior to joining the Governor's staff, Mr. Fader served for two terms as the Mayor of the City of Englewood, during which time Englewood was named the number one city in New Jersey by *New Jersey Monthly Magazine*.

JOHN E. McCORMAC, C.P.A.

State Treasurer

John McCormac was appointed to the Board of Directors in January 2002 upon his confirmation as New Jersey State Treasurer, and serves on the Board Audit and Capital Planning, Policy and Privatization committees. He oversees the state's financial operations,

including a \$28 billion annual budget; directly supervises over 3,000 employees in revenue, taxation, public finance, pensions, investments, lottery, purchasing, property management, management and budget, and administration; and sits on 72 different boards covering all aspects of state government. Prior to working for the state, Mr. McCormac, who lives in the Colonia section of Woodbridge Township, was the Chief Financial Officer for Woodbridge Township and managed his own Certified Public Accounting firm.

JOHN L. MCGOLDRICK

John McGoldrick has been a member of the Board of Directors since December 1979. During that time, he helped to guide the formation and direction of the agency with invaluable input on many capital initiatives and litigation matters. He serves on the Board Capital Planning, Policy and Privatization and Customer Service committees. Mr. McGoldrick is Executive Vice President and General Counsel of Bristol Myers Squibb and was formerly a partner in the law firm of McCarter & English. He is a resident of Princeton.

PATRICK W. PARKINSON

Appointed to the Board of Directors in September 1994, Patrick W. Parkinson chairs the Board Audit Committee and serves on the Board Administration Committee. Mr. Parkinson is a resident of Middletown Township and serves as Executive Director of the Township of Middletown Sewerage Authority. Since 1988, he has been a Middletown Township Committeeman and is currently serving as Deputy Mayor. He is also a board member of the New Jersey Association of Environmental Authorities and the New Jersey Utility Authorities Joint Insurance Fund, and is Co-Chairman of the Middletown Township World Trade Center Memorial Committee.

FLORA M. CASTILLO

Flora Castillo was appointed to the Board of Directors in April 1999 and chairs the Board Customer Service and Administration committees. She is Associate Vice President of Marketing and Public Affairs of Keystone Mercy Health Plan. A resident of Ventnor, Ms. Castillo is active in her community and in the transportation industry at both the local and national levels. She serves as a national board member of the American Public Transportation Association (APTA) and the Conference of Minority Transportation Officials (COMTO). She is also a member of the Hispanic Business Council of the Commerce and Industry Association of New Jersey, South Jersey AIDS Alliance, and First Tee Golf Program advisory boards, and the Sun National Bank Community Advisory Board.

NJ TRANSIT

Facts at a Glance as of June 2004

Rail Operations

Rail lines	11
Directional route miles	951
Annual passenger miles	1.5 billion*
Locomotives in service	148
Revenue cars in service	897
Average weekday train trips	687
Rail stations	161
Parking capacity	51,362

Bus Operations

Bus routes	242
Directional route miles	4,012
Annual passenger miles	885.7 million*
Buses owned/operated by NJ TRANSIT	2,009
Buses operated by/leased to private carriers	990
Parking capacity	14,612

Light Rail Operations

Light rail lines	3
Directional route miles	96.7
Annual passenger miles	25.8 million*
Light rail stations	49
Light rail cars in service	65
Parking capacity	6,220

* Annual passenger mileage data from FY2003.



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