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PUBLIC HEARING

before

ASSEMBLY TRANSPORTATION, COMMUNICATIONS
AND HIGH TECHNOLOGY COMMITTEE

A review of the present status of the Garden State Parkway
and a discussion of the Authority's future plans. In
addition, representatives of the bus and trucking industries
provided information regarding matters of concern to them
in the area of transportation

April 14, 1987
Room 334
State House Annex
Trenton, New Jersey

MEMBER OF COMMITTEE PRESENT:

Assemblyman Newton E. Miller, Chairman

ALSO PRESENT:

Laurence Gurman
Office Of Legislative Services
Aide, Assembly Transportation, Communications
and High Technology Committee

New Jersey State Library

Hearing Recorded and Transcribed by
Office of Legislative Services
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April 3, 1987

NOTICE OF A PUBLIC HEARING

Assemblyman Newton E. Miller, Chairman of the Assembly Transportation, Communications, and High Technology Committee, announced today that the Committee will hold a public hearing on Tuesday, April 14, 1987, beginning at 10:00 a.m. in Room 334, State House Annex, Trenton.

A representative for the New Jersey Highway Authority will appear before the Committee to review the present status of the Garden State Parkway and to discuss the Authority's transportation plans for the future. In addition, representatives of the New Jersey Motor Bus Association and the New Jersey Motor Truck Association will provide the Committee with information regarding matters of concern to them in the area of transportation.

Anyone wishing to testify at the hearing should contact Laurence Gurman, Committee Aide, at 984-7381 for scheduling.

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ASSEMBLYMAN NEWTON E. MILLER (Chairman): I'd like to get this started. We're supposed to have two or three more members of the Committee here. The weather is great. They're probably out cutting grass this morning. I don't know. But rather than wait, I think what we'll do is move ahead. This will all be on tape and it will be transcribed, and the other Committee members will have the advantage of being able to read it at that time. The disadvantage of course is that they aren't here to ask questions.

Let me just preface the meeting by saying that this will probably be the last of several hearings that we've had on the transportation -- what I call Gridlock 2005 in New Jersey. My reason for calling it that is that Commissioner Sullivan wants \$2 billion, and for \$2 billion he's going to straighten out that Turnpike with all its interchanges and whatnot, and he'll take care of everything up to the year 2004. My question to Bo was, what happens in 2005? We start all over again? Do we build over? We can't go any wider. Where do you put these cars? As we know right now, if you use the Route 1 Corridor at all, as an example, give this thing another couple of years and you're not going to be able to move at all on Route 1. So there are many many things that we see happening that we're trying to bring together.

Now I know that the Turnpike Authority are doing their thing. I know that the DOT is doing their thing. I know that New Jersey Transit is doing its thing. As I said, everybody is doing something but the left-- I sometimes wonder if they know what the right hand is doing? And when you do take care of the Turnpike or the Garden State Parkway, and you dump it on the local roads or on the county roads, is the county in tune with this? Is the county ready to move? Do they have the money for it? How do their plans fit in with it. So all these things sort of pull together.

I will say, since these hearings started -- I would like to think that these hearings have prodded this, but I don't believe that -- I see a great awareness and concern for what's going on. For instance, the Port Authority now -- you can argue the \$3.00 versus the \$2.00. You can argue the additional \$9.00 tax for trucks. You can argue that point but that's not our concern in this Committee. Our concern is what they're going to do with that money, and what they're going to do with it is the direction in which we want to see things go.

Newark Airport has to be improved. We have to do something about ferry service. We have to do something about the PATH, if you will, more platform space so we can put more cars on these trains. In other words, we have to be able to move the people; not so much vehicles but people. Get the people carriers going. I think they're all talking the same thing. They're all working in that direction, but how you get there becomes quite a problem, and while you're trying to get there how do you tie one to the other?

Another good example is the Hudson River Waterfront. Here you have 18 miles of waterfront on that gold coast with 11 communities involved. Each community needs its ratable so they're going to build. But in the meantime, how do you get the people in and get them out? Where do you put these cars? It's not the answer. Automobile conveyance or transportation isn't the answer. The answer has to be public conveyance along that stretch. If you do that, where do you park the cars so that these people can get out of the cars and get into the trams or the trolleys or whatever means of transportation you're going to use? All this fits into an over-- Now if you do that, you're going to be infringing upon municipalities in the county as to where you are going to put these park and rides. All of these things have to dovetail in some fashion. It is another example, though, of advanced planning that must be done.

And here again, I see just the other day in the paper where New Jersey Transit has appointed someone to handle just that particular project as far as transportation is concerned. Everybody is thinking in the right direction, but we have to tie the pieces together. That's the purpose of these committees.

Now, this morning we have the Truckers Association. We have the Bus Owners Association here. I think what I'd be interested in hearing from these people-- Here's your day in court, guys. Here's your chance to let us know what's on your mind, even though you might go beyond our particular concerns here as far as how this transportation business affects you people in your business. I know you don't like the additional axle fees on the tunnels. I know that's part of it, but let it be known. We'll get it on record here and we'll try to play it into the overall view.

So why don't we start out this morning and take the truckers? Let's see. Sam, are you going to represent the truckers this morning?

S A M U E L C U N N I N G H A M E: (from audience) I'll introduce some of the people that you're going to hear from. The first person that we'd like to hear from is Ken Simonson. He represents the American Trucking Association. He's the Chief Economist and tax expert for the American Trucking Association.

ASSEMBLYMAN MILLER: Okay. Very good. Ken, we would like to hear from you in one area at least. What in the world is happening to you people as far as our roads are concerned? What's going on here? How is it affecting you economically? How is it affecting the industry itself? What does it mean to me as a consumer? If you want to talk about the 5 cent increase on gasoline taxes, that's all right too. I have to tell you, I'm against that, by the way. I have other plans on that, but go ahead. It's all yours, Ken.

K E N N E T H B. S I M O N S O N: Thank you, Mr. Chairman. I am Ken Simonson. I'm the Chief Economist and Director of Tax Policy for American Trucking Associations. I'm accompanied this morning by Cynthia Elliott, who is our State Government Relations Specialist. I am not an expert by any means on New Jersey's problems. I know that you will be hearing more from people who have to live with the trucking situation here in New Jersey everyday, and I'll try to confine my remarks generally to the economic situation faced by the trucking industry nationally, and what I think is going to be happening this year -- which I think will have a considerable bearing on trucking in New Jersey also.

I've brought along a statement that is accompanied by two other documents just published by ATA: "American Trucking Trends 1986," which summarizes data that we've pulled together from many sources, that basically gives you a 10-year picture of how the trucking industry has changed; and "The 1986 Financial Analysis of the Motor Carrier Industry," which is a publication which looks at the financial and operating statistics of about 2000 interstate trucking businesses.

Rather than go through the statement and the sources in detail, though, I'd like to talk a little more informally about three processes that have basically shaped the condition of the trucking industry today, and activity that I foresee happening in those areas.

First of all, deregulation: Although that has not been much of an issue in New Jersey, nationally it has had a very profound effect on the trucking industry. As you probably know, before 1978 interstate trucking was very tightly regulated. Companies were given specific routes that they could run over, and limited to types of commodities, and there was very strict regulation of rates.

Starting in 1978 the Interstate Commerce Commission began to loosen up on that administratively, and then in 1980

Congress passed the Motor Carrier Act of 1980, which essentially threw the doors open to anyone who wanted to start carrying freight interstate. In fact, the number of holders of ICC Operating Authority has doubled since that time from 16,000 plus to now over 33,000 certificate holders. Many of them are not actually in business, or they are extremely small and limited operations, but nevertheless there has been an absolute explosion in competition in many segments of the industry. As you might expect, this has caused quite a restructuring, and it has really proceeded along two lines.

First, in the truckload business we have seen really 100% of the growth of new entrants. We've had many people decide to go out on their own who formally worked for other trucking companies. We've had thousands of people who were not previously in the trucking business look at it as an easy way to get into business. I think most of them have been rather disappointed by the results. But clearly what has happened is tremendous growth in the number of carriers, and frankly, the opportunities for shippers and consumers. As a result the growth in freight rates has lagged considerably behind what it was before. As you might expect, with any proposition in economics there's a lot of dispute as to whether the change in freight rates since 1980 is a function of deregulation or of other things that have happened in the economy. We've certainly had a great slowing down in inflation and a lot of other factors. But, nevertheless it's true that transportation costs have gone up much less rapidly than they did before.

The other side of the story is in less than truckload carriage. This is a much more capital intensive business. Basically, a company needs a fleet of trucks to pick up small shipments from a lot of shippers in a metropolitan area. It consolidates those shipments at a terminal where it sorts them out, puts them into trucks to carry to another part of the State, or frequently across country. Then at these so-called

break bulk terminals it sorts those out and makes local deliveries.

Because it requires so many more trucks and also the ownership of significant pieces of real estate, there have been much fewer entrants. Furthermore, businesses that previously had been protected by limited entry and by strict rate control, now find themselves in competition with other LTL carriers that have decided to expand their territory nationwide. We've actually seen considerable consolidation in the LTL business. So that there has been a drop-off in the number of LTL carriers, a notable rise in bankruptcies and in consolidations, and that process is continuing. While we did not have any very large bankruptcies in the last year, certainly in 1985 there were a number, and some analysts expect that that is going to continue. Taking the trucking industry as a whole, we have seen an increase in the number of business failures recorded by Dunn & Bradstreet every single year since deregulation began. And currently the rate in trucking is about 50% higher than it is in the economy as a whole. So this is an industry that is in turmoil, and we frankly expect the turmoil to continue.

The particular regulatory climate for trucking has to be laid on top of economic changes affecting the whole economy that have also had a particularly strong effect on trucking. Obviously we were buffeted pretty hard by the sudden run up in the gasoline and diesel fuel prices, first in the early '70s and again in the late '70s. Conversely we got more benefit than most industries from the rapid drop in fuel prices in the first half of 1986, but that allowed few companies to celebrate. Instead, it enabled them to keep running.

It coincided with the huge increase in insurance costs which I know has been felt in many forms here in New Jersey. Frankly, a lot of our carriers reported that the fuel price decrease just barely did offset the increase in insurance premiums that they were facing. Nationally preliminary data

for '86 show that the ICC regulated companies had, I believe it was a 23% increase in insurance costs -- 27% increase in insurance expenses. But individual carriers experienced increases as high as 500%, and quite a few were unable to get insurance at all and were forced to shut their doors. So, insurance is a continuing worry for us. We believe the crisis phase is past. We're no longer seeing the size of increase, or the absolute cutoff in underwriters' insurance that we saw in '85 and '86. But there's by no means a retrenchment in the drop in the prices.

At the same time, the relief on fuel costs has ended. In a weekly survey of truck stop diesel prices conducted by the ICC, we saw for the first time in mid-March that the 1987 price was above the year ago price, at \$1.03 a gallon. That is a national average retail price that would include state taxes. Certainly, with the number of states that are increasing their taxes this year from 1986, we expect that trend to remain; that the 1987 prices will generally be above where they were a year ago. As of January, 38 states out of 49 legislatures that were meeting this year were considering fuel tax increases. That comes on top of a 40% rise in state fuel taxes since 1982, and much steeper rise in Federal taxes. The Federal diesel fuel tax went from 4 cents to 9 cents in 1983, and then the so-called "diesel differential" raised that to 15 cents in 1984. So this industry has faced an enormous increase in fuel taxes at both the Federal and State levels. And we expect that to continue in many states this year.

It may also increase at the Federal level, not for Highway Trust Fund purposes-- As you know, two weeks ago the Highway Trust Fund was renewed, including the taxes. In general, taxes were extended at present levels for five years. Although purchasers of trucks and fleets -- whether for their own use or leasing companies -- experienced a tax increase through, what was generally described as a technical change but

will result in an increase in several hundred dollars in the price of a new truck or tractor. So the companies who are affected don't see it as technical at all.

However, for us the major threat this year is a fuel tax at the Federal level to be dedicated to deficit reduction. Already bills have been introduced that would raise the Federal fuel tax as much as 25 cents or 30 cents a gallon. That would, frankly, bring the level up as high as it was before the drop began in early 1986 to over \$1.30 a gallon, without even looking at state increases on top of that. I think that that would really be an intolerable situation for a great many trucking companies. Last year the industry as a whole saw for the first time as a whole, a profit margin of close to pre-deregulation levels. However, that profit margin was still less than 3%. So as you can see the industry is really running very close to the edge, and to have a substantial fuel price increase -- whether through taxes, or through the actions of OPEC -- would frankly push a lot of trucking companies under.

The last topic I want to touch on very briefly is other legislative changes, and the effect that they're likely to have on the industry in New Jersey and nationally. Certainly 1986 was a very significant year for legislation affecting the industry at the national level.

First, last April we had the enactment of the Comprehensive Omnibus Budget Reconciliation Act of 1985, mercifully known by its acronym of COBRA. That happens to be a very apt acronym because it really is a snake that's going to swallow up a lot of peoples' wallets. What I'm referring to is a provision called "Continuation Coverage for Health Insurance," which was an attempt by Congress to make sure that people who are unemployed suddenly, are not left stranded without health insurance coverage. Unfortunately for employers, many of them are going to be stuck with the bill. This is going to be expensive for a lot of trucking companies,

as well as others. We're a high turnover industry in many cases, and it leads to a lot of exposure for possible health insurance liability, even though the provision nominally says that the individuals will have to pay for the coverage.

That was followed six months later by the historic Tax Reform Act of 1986. That Act on the whole I think was beneficial to trucking, which was already the highest taxed industry in America, just looking at corporate income tax and putting aside the Federal Highway Trust Fund and all of the state taxes. However, mixed in with the good was a lot of bad news. Many individual trucking companies I think will find that their taxes will go up, particularly those who can't afford the expertise to tell them how to minimize their taxes. I happen to believe that tax reform will be good for the country as a whole, but I also know that it has a lot of hidden traps for the unwary. And having spent the last six months giving seminars around the country for state trucking association members, I know there are an awful lot of unwary trucking companies when it comes to the provisions of the Tax Reform Act.

Thirdly, the Superfund Act renewal imposes three new levels of tax on trucking companies.

- First there is a small increase in tax on crude oil, which will certainly be passed through to consumers, including trucking companies.

- Second, there is an explicit one tenth of a cent per gallon tax on fuel. For the first time it is on all type of fuel including railroad, but nevertheless it will push up the cost of fuel for trucking companies.

- Third, there is an application of the little understood new alternative minimum tax for corporations, that will be applied to all corporations with income over \$2 million. That will affect a lot of trucking companies also.

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In non economic legislation there was also a very important change in the Commercial Motor Vehicle Safety Act last year, which ATA pushed for as a way of improving the safety and reliability of drivers in the trucking industry. We're very pleased with that Act, and we'll be working closely with DOT and the state licensing board to make sure we have an effective commercial driver's license, and to make sure that unsafe drivers are taken off the road. I think that that will have a beneficial effect on both the trucking industry and the public at large.

But the overall effect of Federal legislation last year, and of what we see coming down the pike this year in terms of new safeguards for workers of all types -- for retirees -- and through additional either tax legislation, deficit reduction legislation, oil import fees, and so forth, all of those are likely to make trucking still more hazardous an economic environment to operate in. I think it's a situation in which companies can ill afford to face extensive new taxes or fees on a state level, whether in New Jersey or elsewhere.

I'd be pleased to take the questions you have at this time.

ASSEMBLYMAN MILLER: I've been writing some notes down as you've been speaking. What about the competition between the railroads and the trucking industry, and the economics involved in that?

MR. SIMONSON: That has certainly seen a lot of change in the last few years. The competition remains very intense in some areas. The trucking industry has had a small gain in the share of the nation's freight bill that it carries. That's now up around 76% of the total. It's varied within a small range over the last several years.

I think most significant perhaps is how the attitude of some of the railroads has changed. Certainly they're still competing with trucks for freight in certain corridors, and with certain commodities. On the other hand, I think they've realized that trucks are here to stay, and we have seen a couple of significant acquisitions by railroads of trucking companies, or railroads getting into affiliations with truckload carriers in order to try to diversify their business and provide better service to shippers.

On the whole I'd say conditions are not as adversarial as I'm told they were several years ago. But it's not exactly a love feast either.

ASSEMBLYMAN MILLER: What about the tax structure on railroads and their operation, versus the tax structure on trucks and their operation? Is there any tax on railroad freight?

MR. SIMONSON: There's no tax per se, and the trucking industry has long felt that that was unfair. One area in which I'd say there has been progress has been in the income tax reform. I mentioned that trucking was the highest taxed industry in America. That comes from the Congressional Joint Committee on Taxation, which in 1984 looked at the tax rates in 1980 through '83 of about two dozen industries, and found that for trucking the rate averaged 38.2% -- that's Federal corporate effective income tax rate. It was around 17% or 18% as an all industry average. Railroads were at 2.4%. The Tax Reform Act helped level that playing field, to use the overworked phrase. We don't expect an enormous drop in our effective rate, but we do think some other industries will be paying closer to the national average.

ASSEMBLYMAN MILLER: There are no subsidies, Federal or State, given to the trucking industry. What about subsidies to railroads? Are there subsidies involved in the rail?

MR. SIMONSON: Certainly at the Federal level there is quite a bit of money channelled through DOT. There is also the more subtle form of subsidy in that the railroad industry, along with several other modes, is represented within DOT by a Federal Railroad Administration. We have complained for several years that there's no motor carrier administration. I recognize that having a government agency looking directly at your problems isn't always a benefit, but we think there's a significant detriment to us when the Secretary of Transportation is able to sit down with the Federal Railroad Administrator, a Federal Aviation Administrator, even a St. Lawrence Seaway Administrator; but no one representing the industry that carries three quarters of the nation's freight bill, employees the most people, and has the most vehicles, and the most day-to-day impact on consumers.

ASSEMBLYMAN MILLER: That's a good point. If I'm not mistaken, Sam Cunningham has put that to our attention, and if I'm not mistaken, his resolution passed in that direction to try to do that. I will be with Secretary Dole at the end of the month, and I will make it my business to mention that point to her again because I think it's a point well taken.

MR. SIMONSON: Very glad to hear that.

ASSEMBLYMAN MILLER: On insurance in this State: There's a movement afoot to tie the truckers into the Joint Underwriters Association with the increase, and there's a movement afoot to try to stop that. I think that's an unfair situation also. Competition is competition, but I mean sometimes it's a little unfair.

I think a lot of these ideas are great. I have to digress a moment. I sit in these chambers and I see 7000, 10,000, bills go through every two years, and I say to myself, "How come they weren't thought of ten years ago, or five years ago, or last session?" And I know come next session there will another 10,000 bills. Everybody and his brother has some great

grandiose ideas, and they are all in their own right beautiful. But we have to get our priorities straight sometimes, because every idea has a dollar sign attached to it for the most part. That dollar sign has to come from someplace, and that someplace is general revenue. It's more taxation, and people like yourselves get hit with it because you, "Have to take care of your end of it." Right? I share your frustrations in some of these things.

A couple of other points here. You did mention briefly regulations that you're trying to put in. I know that the alcohol content for DWI is a .10 in this State, even though the Commission I served on testified that at a .15 it's about the point where the average person can tell when a person is drunk -- talking about hosts' liability now -- and a .10 is what they've established. I understand that at the Federal level they're looking for a .04, but the truckers themselves are looking for a .00. Is that true? Is that as you see it?

MR. SIMONSON: No, I don't believe that we have a .00 level. From what I am told no test is reliable enough to indicate that somebody is totally free of alcohol, that there's a certain margin of error on the test. There are false positives and there's the possibility that taking substances that do not intoxicate you but may have a trace of alcohol that you could get a reading that would unfairly disqualify you. I believe that .10 is the most common level nationally, but .04 is in effect on some standards, yes.

ASSEMBLYMAN MILLER: I would think the truckers, along with the airline pilots and railroad engineers, should be pretty much free from any alcohol content if they have that responsibility.

MR. SIMONSON: Absolutely, and we have been strongly in favor of drug testing. In fact, last month we endorsed the mandatory random testing that is being considered in Federal legislation. We think that there is no substitute for making

sure that unsafe drivers are off the road, and are willing to support any measures that are effective and fair without discriminating against people or depriving them of constitutional rights.

ASSEMBLYMAN MILLER: The last time I was with Secretary Dole, we got involved with some of her staff with this country-wide program of one license; instead of having a license being rejected in New Jersey, but you could have one someplace else; instead of being able to pick up a license on an 18 wheeler just because you drive a pick up truck and you don't have to take an additional test. This State is working on the program with the Federal government, through that contact that I had at that time, as part of a pilot program to pull the pieces together in this thing. I think that's a direction that would benefit not only the truckers, but the people that are on the highways also, from a safety point of view.

MR. SIMONSON: We're totally in favor of that.

ASSEMBLYMAN MILLER: I think it's long overdue. It's long overdue, really. I think for the most part, and I've noticed being on this Committee, when you travel on the highways I see these trucks with names on it -- with the MGM, or the Tredway, the big outfits. For the most part, the drivers are pretty straight, and pretty okay. But I see some of these things going around -- and I don't see any of the national names on them -- and I see them darting in and out, and riding your tail. I kind of think that all of these are the -- what do you call them, gypsies or whatever? -- the one truck owner type of situations. I think this kind of law and this kind of approach would settle a lot of that.

Let me see what I have here. Something that concerns me too, and probably you people should be more aware than anybody else-- Up in Amsterdam, New York a bridge falls down. Not so long ago another bridge fell down -- going back a couple

of years -- and it was a real high one. And here recently, two weeks after that bridge on the Thruway in New York fell through, one three miles away over the same river fell through. Do you have any thoughts, from a truckers' point of view -- that have to go over so many bridges and all these thruways -- from a safety aspect? Does that ever enter your mind at all, or into the mind of your drivers, that you're traveling over these highways with that possibility of bridges going down?

MR. SIMONSON: Well, it's certainly a concern to us at ATA, as to making sure that the funds that we have paid into the Highway Trust Fund are being spent in a way that benefits all of the public, improves safety, and really gives us the best possible transportation system. We're eager to see a renewal of the Highway Trust Fund, to see that money coming back to the State so that they can spend it in the most effective way. I'm very concerned that we had a six-month delay there, both from what it meant for deferred maintenance and reconstruction of projects, and also for the fact that money being paid in everyday by auto and truck buses was piling up in the Trust Fund, which now has a balance I'm told of about \$14 billion. That's an awfully big contribution to deficit reduction that we've made, and we're not getting credit for when people come along and say, "Oh another 30 cents fuel tax isn't going to hurt anybody."

So I think there's a close connection there between the safety issue and the fiscal issues that we're facing all the time. I'm not an engineer. I don't have any bright ideas to how we can predict which bridges will collapse, but it seems to me that the best insurance is to make sure that we're spending that money wisely, and giving the transportation highway experts the ability to go out and protect the safety of the nation's road network, and giving them the wherewithal by making sure that money that is collected for transportation really is going into highways.

ASSEMBLYMAN MILLER: I agree. You're spending your fair share, just make sure it goes to the right spots to do what has to be done with it.

Let's see. I have to admit that when the tandem trailers went into effect in this State, I voted against it. I guess it's because of the section of the State that I'm from. Route 17 up there in the northern part of the State, is a deathtrap. I also have to admit at this point that I don't know of any accidents that I've heard of with the twin trailers anyplace. I think if it came back up again, and I had my druthers, I would probably go along with it next time around only because of the evidence that I've seen on this thing.

MR. SIMONSON: Well I'm glad to hear that it's worked out as safely as the trucking industry predicted. If everything bounced our way then we'd be in a lot better shape today.

ASSEMBLYMAN MILLER: This State, as far as the lengths of the trucks are concerned-- Are there other states with the a lot of trucks with larger lengths, other beds?

MR. SIMONSON: There are a number of states -- I believe it's around 20 -- that now allow 53-foot trailers. But frankly, we face a real crazy quilt of state regulation on truck length and width, and the routes that are open to vehicles of various sizes. I mention in my testimony that next door in Pennsylvania there are five different designated highway systems, varying according to whether they're tandems, whether they're 102-inch wide, whether the trailer is 48 feet long. It significantly drives up the operating cost and the compliance cost for the industry.

ASSEMBLYMAN MILLER: I got you. One comment that I read someplace, statistically the accidents in the trucking industry include in them accidents of -- other than just these big 18-wheelers -- all sorts of trucks, which sort of inflates the degree of -- I won't say responsibility -- but the

condemnation if you will of the trucking industry because look at all the accidents you're having. It would seem to me that they should try to separate that from 18 wheelers and the little pick up jobs and cab jobs to get a truer picture. The other thing that I think is a little unfair in this statistic is the fact that many of these accidents are caused by the passenger cars or small trucks, and the big guys are trying to protect the one they're going to hit, and as such may do some damage too, but in trying to save lives. So I think in all fairness to your industry, I think the statistics in that instance are a little bit lopsided against you rather than being for you.

MR. SIMONSON: I couldn't have said it better. In fact, even AAA acknowledges that the majority of truck/car accidents are caused by the car. ATA does not just try to point that out however.

We have initiated a couple of campaigns to make drivers more aware of how to share the road with a truck. We have a group called "America's Road Team," which consists this year of eight drivers from around the country visiting both trucking companies and organization, civic groups, and schools, to share tips on how to share the road; and also to stress what they do to make sure that they're driving safely and in a professional manner.

Also ATA has a Beltway Safety Patrol around Washington, in which we have drivers out on the road several hours a day noting the behavior of truckers. When we see either good or bad behavior, we note down the identification of the vehicle and get hold of the company and let them know what their driver has been doing.

We are publishing pamphlets for Washington and Chicago expressways telling the public where trouble areas are, giving general tips on sharing the road with a truck. We welcome other suggestions for how we can improve the safety and the environment that we all have to drive in.

ASSEMBLYMAN MILLER: I see that in the State of Maryland the State troopers are stopping the trucks along the highways these days too, and doing on-the-road inspections a little too. I've seen that the last couple of times down there too.

MR. SIMONSON: Yes, and we are not opposed to that kind of inspection. We think that it can be an effective way of making the highways safer. One thing that we are concerned about is a commercial zone exemption that for too long has allowed trucks that operate in a limited area to be exempt from safety inspections. Unfortunately those limited areas are generally the ones with the highest traffic. They're metropolitan areas, and a truck that operates in that area can cause just as much damage, and be just as unsafe, as one that's going interstate.

ASSEMBLYMAN MILLER: Yes. There should be no exceptions to it. Thank you. I appreciate your testimony.

MR. SIMONSON: Thank you very much, Mr. Chairman.

ASSEMBLYMAN MILLER: Thank you. Mr. Cunninghame, do you have--

MR. CUNNINGHAME: (from audience) I have Irving Apgar here, Assemblyman, from Newark. He is the current President of the New Jersey Motor Truck Association, and he's the owner of Apgar Brothers Trucking Company-- (inaudible)

ASSEMBLYMAN MILLER: Right. Go right ahead.

I R V I N G A P G A R: Mr. Chairman, I'm representing the New Jersey Motor Truck Association. Our industry has three basic problems which have been touched on. They are: Taxes, insurance, and yes, the image. You touched on that. It's something that we here in this State, and nationally, are trying to work on. I'm glad that you mentioned just that statistical method of whose accidents they are. If we can get something along those lines improved, our image would improve automatically.

I'd like to go back just a little bit, to give a makeup of our industry. It was mentioned that there are some 36,000 ICC carriers now, and that's just ICC regulated carriers. In 1980, there were 17,000. What that means is that there are a lot more trucks, but 85% of those ICC trucking companies, 85% of them, have less than a \$5 million gross revenue; which means that there are a lot of small companies. Most of them, in other words, are less than 10 units. That's the makeup of our industry. To me, it's one of the last American industries, where you go out and try to make a living.

Following that then, we get into New Jersey here where we have a highway road problem. It has to be funded. It seems that whenever we need a new bridge or some new highways, let's get some more gasoline taxes. Our industry's problem is -- if this budget presentation here in The Star-Ledger is correct -- they take in so much income from motor vehicles, registrations, and fuel taxes, and then transportation gets so much money. My calculations are a \$234 million shortfall. We have a problem with that. We would like to see, as we did once before, two and a half cents of the last increase on diesel fuel only, two and a half cents of the gasoline tax went to the Department of Transportation. We are for highway funding. We're for getting the money, but let's use the money that was supposed to be Department of Transportation money in the first place.

Well then we're told that the budget has to be passed by June 30th, and we just can't rearrange that money. We have a little problem with that. It makes it tougher on the legislators, we realize that. But our money should be going to the highways. We've even asked that perhaps as part of some bill somewhere, the five and a half cents is not now dedicated to the Department of Transportation, could be done gradually -- a penny a year or something like that -- so that the regular budget and the fuel tax monies even out somewhere.

Along that line, there are those who think the trucks should pay more and more taxes -- be it tolls or fuel taxes -- as if we want the roads. We're only delivering the goods to the entire public. That's our function. These roads are everybody's roads.

If we're looking to 2005 we have to do a better job than we did recently in cutting out I-95, which now creates a Route 1 Corridor crisis. I think that's what your Committee is looking at.

Insofar as my own company, I've got brothers-- We have the same problems. And even though some people say the insurance increases are leveling off, it's strange when our own company -- our own New Jersey insurance carrier -- gave me 100% increase this year. He only gave me 25 and 35 the previous two years. He's catching up, with no change in our own accident situation. That was strange to me. That's all I have.

ASSEMBLYMAN MILLER: That's a whole new ball park, that insurance. I was at a place the other night. It's a catering place, weddings and whatnot. Their insurance went from \$40,000 to \$245,000 in a year-and-a-half's time. It's just incredible to see that this is going on, and I just wish they'd take the politics out of this insurance business here in this State, and let's get down to the bone of the problem and let's resolve it and get it behind us. I don't see why it can't be done, but everybody has to participate in that -- lawyers, as well as insurance companies, as well as everybody concerned, as well as the politicians. It has to be done.

I just made a note for myself to try to get a cleaner statistic -- if it's at all possible -- by way of the State Police and the local police in their reporting of truck accidents. Let's see if we can't break that out to make a determination as to whether or not the truck was at fault, or whether it was the fault of the passenger vehicle; to find out whether or not -- just as you say image-wise -- as to where you

people stand as versus the overall accidents. I know if you and I have a car accident, it's one or the other that's caused this thing, and we can make that determination on that piece of paper the cops picks out. But when you get to the truckers it seems to me that -- "Oh there's another truck accident again." You know, they're at fault with the thing. But let me look into that if I can.

Okay. Thank you. Thank you for your time.

MR. APGAR: Thank you.

ASSEMBLYMAN MILLER: Do you have somebody else you want--

MR. CUNNINGHAME: (from audience) We have Rocque Dameo. He is the owner of Dameo Trucking Company in Somerville. He is the Treasurer of our Association, and the Vice President at large from the American Trucking Association.

ASSEMBLYMAN MILLER: Mr. Dameo?

R O C Q U E D A M E O: Assemblyman, the items that have been discussed by the previous speakers apply to everybody in the entire industry.

To go just a little deeper to some of the items: The fuel tax that we pay in New Jersey, there's a like tax in Connecticut and Pennsylvania and every state that we operate through. I'm more a local carrier and only go within 300 or 400 miles of New Jersey. I try to buy all my fuel in New Jersey, pay the tax to the other states, and then get a refund back from the other states that I bought here and used there. This then leads to an audit procedure, which New Jersey audits you on, and Connecticut audits you on, and Massachusetts audits you on, and Pennsylvania audits you on, and Maryland audits you on; and come September or October every year you have two or three months of a parade of auditors from all the various states.

ATA has been sponsoring and is writing up an agreement called the Inter-Nation Fuel Tax Agreement, which will provide

for the home state to audit, and then apportion the fuel out to each state that it was burned in. I'm definitely in favor of this program. Number one, it stops the original audit procedure, the monumental audit procedure; and number two, in the audit practice each state tries to do its best to protect its own state, and instead of your tax coming out to be 100% of whatever the number is, it always comes out 103%, 104%, 105%. And if there is only supposed to be \$100 in tax, somehow when they get done auditing it comes out to 104 or 105. So, there's an injustice there, not that the auditors are being unfair, but they take the same set of numbers and come up with a different set of answers. This would certainly stop that problem.

Insurance costs were mentioned -- going on to another subject. Our company carried high limits, \$5 million. When the crunch came a couple of years ago, it was impossible for us to maintain that level because it was over 1000% increase on the excess limits. We had to reduce our coverage back to the million dollar level, which is mandated by the Federal government. The other \$4 million we kept just as a sleep insurance, so you can go home at night, lock the door, go to bed, and not worry about anything. We don't sleep as well now as we used to, because the suit limits are up and the insurance limit is down. It's a very uncomfortable feeling.

In the safety area, we've all been -- nationally and statewide -- working diligently on trying to control the safety record of trucks. The commercial zone area in New Jersey being between two major hubs -- Philadelphia and New York -- our commercial zones cover some 20% to 25% of the State. So we're running with unregulated, uncontrolled, safety carriers in 25% of our State -- 20% of the State. They have no DOT safety requirements. They have none of the Federal \$750,000 to \$1,000,000 minimum insurance coverage. They can carry the same 100,000, 300,000 you carry on your car. They're in direct competition with us, number one. And they're not putting their

money into safety. Federal I know wants to do something. I know New Jersey wants to do something about controlling that particular segment of the business.

On safety, the U.S.A. Today published a list of 50 fatalities over the past month or so, and they wrote up each accident. I took the time and read each accident, and there were 250 fatalities. But in reading over the accident reports, there were only five truck caused -- 100% truck caused -- accidents. There were five to seven that were very marginal, you couldn't tell. And the balance were either caused, or partially caused by the automobile involved in the accident; from all ranges, from just a bad move on the highway to suicide. That's a very good way to commit suicide, running into a tractor trailer, and they were listed as such. So the 50 comes down to 15, five positive and ten possible. That number is much better. It's still not what we'd like to see.

The Federal Excise Tax was raised from 10% on our wholesale price, to 12% on our retail price for purchase of new equipment. That was a sizable increase. Part of the reasoning behind that was that we would get additional productivity for our vehicles, allowing us the 48- 102-wide trailer, and the double bottom 102-wide trailer. Until just recently, New Jersey was one of the holdouts on the 102-wide for pick up and delivery of freight, getting to your customer and returning to your customer. They've now instituted a permanent procedure where you can apply for access for those wider trailers to get to point of delivery and point of pickup.

We have 400 customers right now that are off the Federal highway system that we're going to have to make application for. We're not sure how that procedure is going to work. We're a truckload carrier going to building material sites. They don't build housing projects on the New Jersey Turnpike or on Route 80. They try to get as far away from those as they can. Yet we have to make the deliveries of the

insulation and the building materials to those sites. Our customers are mandating that that equipment be used because of the additional productivity. In Pennsylvania, New York, nationally, it's a major problem. New Jersey is trying to address it. I think more can be done in that area to allow access for pickup and delivery. That concludes what I--

ASSEMBLYMAN MILLER: I might say that any of these ideas that you have, or anybody in the industry has, if you'll get them to Sam, I'll gladly try to work with him to try to put the pieces together, to take care of those things that I would agree are practical and the right thing to do. I can see if you have 20% or 25% of the State with trucks that are unregulated, that doesn't make sense to me. It would seem that there should be some sort of legislation to cover that.

If you would have to get a permit for some 400 customers to get your truck in and out of a certain area, if the delay is anything like getting a DEP permit, you can forget it. You can bring the construction industry to a complete halt if that's the case. Maybe something has to be worked out there where it's sort of a blanket type permit under existing type situations, where you're covered by it. You're going to do a one or two delivery type operation to a given development, or for that particular type situation you're allowed to do it. Maybe we can work something out from the legislative point of view on that. Again, I'd have to depend upon you people knowing your problem, to translate it. I'd gladly work with Sam, or OLS, or anybody, to put the pieces together to help on that:

I agree with you on the home state audit. There's been discussion on that at the Federal level, and I think also on the -- if that ties into the stickers you'll see on the sides of the trucks. You know, whoever issues that permit issues-- You're located in New Jersey, okay New Jersey takes care of it. The other states don't get involved with 50 states

doing the same thing over and over again. There's a lot of room for improvement. They can save money, and at the same time save you fellows a lot of aggravation, especially when it comes to audits. And that 5% over, that's the shrinkage we're talking about here. It makes the job worthwhile.

Okay, Mr. Dameo, I appreciate your testimony.

MR. DAMEO: Thank you, Assemblyman.

MR. CUNNINGHAME: We had one more carrier scheduled. He hasn't shown up yet, so I think we should just sign off.

ASSEMBLYMAN MILLER: All right, Sam.

MR. CUNNINGHAME: I think at this point I'd just like to say that we're still licking our wounds from the Port Authority increase, which we believe to be unconscionable. It went into effect yesterday. You've got a smattering of industry problems from a few of our folks. As long as we have your ear, especially in your position as Chairman of the Transportation Committee -- and I know we do have your ear -- we'll certainly bring forward any problems as they occur, and hopefully at least for some of them, develop some solutions that will help the industry.

I think we should sign off now. I really appreciate your time.

ASSEMBLYMAN MILLER: Let me just point out to you, Sam, as you know recently I was with the 5 cent tax, and after thinking about this, kind of felt that -- and I might say that a lot of industry is in favor of this also, but there are reasons for being in favor of it. Basically the reason is that if everybody shares the 5 cent transits and whatnot, at least that's going from everybody. Whereas if you don't have the 5 cent tax and you go to the dedicated tax -- that is taking the whole 8 cents in gasoline and dedicating the whole thing to it -- that means that someplace along the line that hole in the general revenue has to be made up, the five and a half cents and the additional 8 cents that would be dedicated, creates a

\$200 million hole in general revenue. That has to be made up. Industry is then faced with the possibility of an increase in sales tax, or income tax, whatever, to make up that difference.

My contention is that from what I see down here, if they'd stop throwing money in the wind, stop throwing money at problems, and start getting their priorities straight and stop worrying about where my next vote is coming from and where my next contribution is coming from, and start working in the best interest of the general welfare of the public rather than the individual situation, I think we can find \$200 million without any problem at all if we want to do it. It would take a lot of discipline, and it has to start right from the top. It can't start from the guy in the district, it has to start from somebody else.

So, I'm willing to -- and I have sponsored the bill as you know -- to dedicate the entire 8 cents, and also all of the diesel fuel tax that's now State tax; dedicate that and put it where it belongs, and use it that way. I think that might make the rest of us think twice when we put a bill in that has "X" millions of dollars associated with it. Where is the money coming from? Well, we'll have to raise a tax. We don't want any taxes. And you're not going to see this thing -- as far as I'm concerned -- you're not going to see this 5 cent tax before an election. I doubt even after, but before the election especially. After the election, the Senate is in for four years. They are freer to move at that particular point. I like to tell everybody I haven't voted for a tax down here yet, and I'm not about to start now, so that's the way that stands.

MR. CUNNINGHAME: Well, we look at that as kind of a paradox, because we feel for Ms. Gluck's position where she has to canvass the State and try to get this 5 cents for Highway Trust Fund II, when really that money through existing taxes should be available to her to do what she wants with, and someone else I think should be running around the State looking

for their money in this \$200 million hole you're talking about. Somebody else should be doing that. She has it, and she should be using it.

ASSEMBLYMAN MILLER: Right. That becomes a general type situation then, because it's for everybody with us. This is specific.

MR. CUNNINGHAME: It's a sales tax or some other means to finance some other kind of operation -- health, education, or whatever. The way it works now, of course, Ms. Gluck has to run around and try to get the money from fuel for an additional 5 cents.

ASSEMBLYMAN MILLER: Sam, I want to thank you and your people for coming down. I sort of used this as a combination here. Most of our discussions have centered around transportation, moving people rather than cars, moving freight rather than trucks, this sort of stuff. But at least it gave us the opportunity -- we have it on record -- just what your problems are. And of course, they are all associated with transportation, so it is germane to the discussion.

MR. CUNNINGHAME: I might add also before I leave, it may be an opportune time to tell you that we're presently drafting legislation which we would like to give you to introduce, calling for a \$750,000 minimum insurance on trucks registered over 18,000 pounds. That will affect primarily the intra-state trucks that currently can register with the State minimum of 15, 30, and five. We don't feel that's a responsible amount. Seven-hundred-fifty-thousand is taken from the minimum ICC requirements for the interstate carriers. As I said, we're drafting that bill now, and we'd like you to take it and hopefully have it introduced.

ASSEMBLYMAN MILLER: I'll be glad to look at it, Sam.

MR. CUNNINGHAME: We are interested in moving that up.

ASSEMBLYMAN MILLER: Bring it down, we'll take a look at it, and we'll go over it.

MR. CUNNINGHAME: Thank you.

ASSEMBLYMAN MILLER: Thank you. Is there anyone else from the trucking industry who would like to speak?

P E T E R M c D O N O U G H: (from audience) Assemblyman?

ASSEMBLYMAN MILLER: Yes?

MR. McDONOUGH: Just one thing. Pete McDonough representing the New Jersey Motor Truck Association. I didn't hear anybody allude to the article--

ASSEMBLYMAN MILLER: Talk into the mike, Pete, and we'll get it on record.

MR. McDONOUGH: --the article that I saw in the paper this morning by our President, in our total effort to support the 55 mph speed limit. There is a rather good article in The Star-Ledger this morning. I do hope you will get a chance to look at that, because the New Jersey Motor Truck does stand for the 55 mph speed limit.

ASSEMBLYMAN MILLER: Well, I'm going to argue with you there.

MR. McDONOUGH: Okay.

ASSEMBLYMAN MILLER: I don't know anybody that does 55 mph on any of our State highways, unless you're up in the Newark section or the New York tunnel section where you can walk faster than the cars move. As I say, you can walk to New York on the top of the cars faster than the cars will get there themselves. But when you get down to the southern part of the State, you get down to the southern part of that Turnpike, if you do 55 mph you're going to get create an accident. There aren't enough law enforcement people to do the job the way that is has to be done. They say, "Well, if you go 65 you're going to have more accidents." I'm telling you now they're doing 65, and any accidents they're having it's due-- Don't say our accidents are down at 55. They're down because it's 65. I mean, I'll give you the arguments both ways.

I think it has to be controlled. I think it has to be looked at in the individual situations. I have seen some of those trucks go whizzing by at more than 55 or 60 mph too, no question about that. I think when you're hauling something as big and as heavy and with as much weight and whatnot, I think there is a very definite responsibility, and 55 I can see for those big trucks might be the thing to do because of their particular situation. When I see these passengers go by and I'll tell you-- I went to Washington a while back and I said to my wife, "Just look at this. I'm doing 55 on purpose. I'm doing 55 and going to see what happens here." I didn't pass anybody, but you better believe it, everybody was passing me. I tried to keep pace with them, even at 65 you have to go some to stay up with them.

MR. McDONOUGH: Just on Saturday I was in Florida coming up from Boca Raton to West Palm Beach, about 30 miles. I kept my car between 56 and 60. I passed one car. Everybody passed me. I agree with what you're saying. I can ride from the bridge at Perth Amboy to the shore -- the exit at 98 -- at 62 miles an hour, seven cars pass you for every one you pass.

ASSEMBLYMAN MILLER: That's right.

MR. McDONOUGH: At 65 you start passing people. But it isn't right. What we're saying is our support is on the fact that we know, number one, it's economically sound at 55 mph. You can test your own car. I drove to New York State a short time ago, put the car on 55 all the way up, got 23 miles to the gallon. I've done it without any kind of speed controls and done it with 16 and 17 gallons. So there is obviously a savings in that area. I do think there's a safety factor. And again, I just want to say that we're on record. We do support that.

ASSEMBLYMAN MILLER: I think that's good. I think that's good. Thank you. Thank you. Anybody else from the trucking industry? (no response)

Before I get into the Authority, maybe I'll just listen to the bus industry, because I don't think their testimony is going to be as long as the Highway Authority. I know Mr. Gallagher. He happens to be a neighbor of mine. I'm glad you got down this morning, Frank. You were able to get the right bus connection to get here, right?

F R A N K G A L L A G H E R: Thank you, Mr. Chairman. I just think that it's too bad that the truckers left. They paint a very bleak picture, but I think if they had to compete with the State of New Jersey as we do, it would be even bleaker. So with that good news I will let Mr. Rukin continue the discussion.

ASSEMBLYMAN MILLER: Fine. Mr. Rukin?

B A R N E T T R U K I N: Thank you, Assemblyman Miller. You asked us to come and talk about some of the problems that are facing us. We'll try not to ramble, but just take about five or six major items that have been a--

ASSEMBLYMAN MILLER: We're looking for problems that confront you industry-wise, as well as the problems that you're confronted with getting into the tunnel in the morning and what do you do? What suggestions do you have on making it three lanes in for buses and one for cars maybe? I don't know, whatever your thoughts are in any of these areas.

MR. RUKIN: If you'd like to, we can start with that issue. For the first time in many years there has been a decline in ridership on buses between New Jersey and New York. The industry consensus is the reasons is the congestion in the express bus lane, and getting into the Lincoln Tunnel in the morning rush hour. Since the new Commissioner of Transportation took the job, she has worked diligently to get a consensus among the Port Authority, the Department of Transportation, the State Police, the New Jersey Turnpike Authority, the Automobile Association, the Trucking Association, the private bus companies, and New Jersey Transit,

in order to find a way to get better access for the 85% of the passengers who go through the tunnel in the morning and come in by bus. Forty two percent or so of those are carried on buses run by the private sector. The bus companies have one lane -- the exclusive bus lane -- the automobiles have three, and the buses carry 85% of the people who use that service.

There have been some discussion at all levels. The planning department of the Department of Transportation has worked on this, but there has been no conclusion. We believe there's no alternative but to transfer one of the three existing automobile lanes to at the least a high occupancy vehicle lane, with three or more automobile passengers, van pools, or buses. We think that that will solve the problem totally. The congestion in the tunnel is not the problem. It's the backup that congests the exclusive bus lane. My memory isn't very good on this. I believe it was designed for about 900 buses at peak capacity in the peak hour, and it's about 1300 now, or something of that sort. So there's a significant excess number of buses.

For bus use to Manhattan, the Lincoln Tunnel is really the only alternative. Even the buses coming from the major growth area in Ocean and Monmouth County come north of the Holland Tunnel, to the exclusive bus lane, go through the Lincoln Tunnel to go to Wall Street via city streets. They find that faster than going through the Lincoln Tunnel (sic) because of the traffic lights, and the congestion, and the inability to have any kind of high speed mass transit operation there.

ASSEMBLYMAN MILLER: While you're on that subject then, if I may just add a thought. What you're saying here is that if we had the single lane going into the tunnel for the buses, but when you got up to the tunnel itself you would have an additional lane in the tunnel that would allow buses, as well as passenger cars with three or more passengers to use that?

MR. RUKIN: No. The additional exclusive lane would be on the west side of the Tunnel, in New Jersey, running from the Tunnel approximately to the easterly New Jersey Turnpike.

ASSEMBLYMAN MILLER: How many lanes of traffic would you have for the others, then?

MR. RUKIN: Two. Presently there are four lanes going in. The exclusive bus lane is what they call a "contra lane." It's on the outbound side of the barrier. They reverse that lane in the morning rush hour for the buses to go in. That is the lane that is so over saturated with traffic now, well beyond its design limits, and that's where most of the congestion takes place, and that's what slows down the bus trip. The delays over the course of the last about 18 months, range anywhere from about 21 to 43 minutes in the morning rush hour, compared to what it was prior to this congestion becoming overwhelming.

What it does to bus passengers is it takes away the predictability of their commute. They don't know what time they're going to get in, and therefore they are loath to use the bus service. It also creates havoc with the scheduling, because if it's tied up one day, then they all come out earlier the next. Then the early buses become overcrowded, which also is not very convenient for people, and the later buses are empty. So there are a lot of problems that that lack of predictability causes. And while it would seem that the choke point would be the Tunnel, that in fact is not the problem. The Tunnel moves reasonably well.

ASSEMBLYMAN MILLER: It's the approach to it.

MR. RUKIN: It's the approach to the Tunnel.

ASSEMBLYMAN MILLER: Is there a choke point at the terminal building itself?

MR. RUKIN: There is some talk about that. We have not really seen it. It seems to be more of a problem between NJ Transit and the Port Authority, and the use of space and the

manner in which they get the buses in and out. The private bus companies have not been as troubled by that problem, and looks like to us that it could be managed by better cooperation between NJT and the Port Authority.

ASSEMBLYMAN MILLER: I see. Okay.

MR. RUKIN: The second issue we have is, the Governor with the support of the Legislature, has been very supportive of the bus industry as they see it, and of commuters as they see them. The Governor, in his terms in office, has consistently proposed increased operating line items for the budget of NJ Transit. That's followed up by publicity statewide that says, "There will be no fare increases in the next year. We're going to eliminate the fare increases." The problem with that is that 40% of the trans-Hudson passengers are carried on buses of private companies, and simply because the users of those buses ride on private company buses rather than NJ Transit buses, they do not participate at all in that \$185 million that the State gives to NJ Transit for operating costs. So the passengers on private buses pay the full cost of the operations, including we hope, some money over the cost for profits for those of us who run the service. NJ Transit has been more forthcoming of late with capital equipment, but the operating side -- of the \$185 million in State funds and \$44 million I guess in Federal funds, the private sector gets none.

What we're doing here is continuing the same problem that we had when the Commuter Operating Agency ran commuter transit, we're supporting the provider of the service rather than the user. We're putting out prices for goods that are below their cost, and attracting riders from the more efficiently operated high quality service that we in the private sector provide, to service that is higher cost but lower priced because it's artificially supported. We would like, and have sought for a very long time, some equity for the users of the transit system. Rather than direct the funds to

the providers, direct the funds to the users. If there is a philosophy in this State that users should pay a certain percentage of the cost of providing the transportation, then there ought to be a fair fare plan and let the people pay that, and let the provider worry about bringing his costs in line with what a fair fare and a fair operating assistance program would entail. We're cut out of that. It's negative to our riders, and it puts tremendous pressure on us as providers because we're competing in an environment that's not healthy for us.

ASSEMBLYMAN MILLER: On that score, if you or your organization representative would put something together as you see it, and as you'd like to see as far as legislation is concerned, we would gladly work on it down here to see what we can do to make it equitable between both.

MR. RUKIN: Good. One of the problems that we have there because of the way the State government is structured, the bulk of the resources that go into transportation planning, research and development, legislative development, and so forth, is really centered at NJ Transit. And while their headquarters operation, to some degree, is separate from their bus and rail operations, the fact is that the bus and rail operations compete with us, and there's a much stronger relationship between NJ Transit headquarters and their own operating subsidiaries. So every time we get into one of these problems, and you know how difficult it is to get legislation passed, there's always somebody who can stir the pot and come up with these smoke screens that says, "Oh, this can't be done." It gets stalled, and it's a very difficult problem for us.

But we will continue to work on it. We have spent a great deal of time with Mr. Gurman over I guess it's eight or nine years now. I think staff people do understand the problem, but it's very frustrating for them as well to balance the powers that are in this political structure in New Jersey.

ASSEMBLYMAN MILLER: Yeah, I'm very familiar with it.
(laughter) If you'll do that then--

MR. RUKIN: Yes. For sure.

ASSEMBLYMAN MILLER: --Larry, through OLS, will put something together to make it more equitable. I firmly believe that -- and we've been having these hearings now for about nine months -- firmly believe that we have got to work in the direction of moving people and not moving vehicles. Whether that be by way of PATH trains or whatever, I don't know. We cannot put any more tunnels into New York because New York is gridlocked now, and they back the gridlock up onto our highways. I think there is room for one more tunnel as far as trains are concerned, but even here the Port Authority, one of their ideas of course is to extend the platforms so we can add more cars to these PATH trains going in, and also interconnection -- the Kearny reverse system and that sort of thing. But I think we've got to go in that direction, because if we don't--

At the same time we can't stop the Bo Sullivans from doing what they have to do, because that problem is here and it has to be resolved, and you're not going to unresolve it. But while that's being done there has to be a corresponding, or a parallel effort if you will, into the public mass transit type situation. So, when you get to the year 2004 one is balanced the other out and people are no longer on the roads with their cars. The increases are there because the increase has gone into the public transportation side of it. And if that public transportation can be made convenient enough so you can get the train when you want it, or you can get the bus when you want it -- instead of having to wait until every other hour or some such thing -- I think the demand will bring in more of that type transportation. And the more convenient it becomes, the more use it's going to get, and the fewer cars you're going to have on the road. I think that's the way it has to work.

MR. RUKIN: We certainly agree with the philosophy. New Jersey is a dynamic place. The zoning and development is conducive to public transportation, but in small units. We've been successful in the bus business because we go where the people are. When they move we can move with them.

The example of the some of the problems that you have with rail is the incredibly intense capital costs. The electrification of the Morris and Essex line cost over \$500 million. It took ten years to complete. And the railroad now carries 30% less people than it did before they spent the \$500 million; with all of the demand for more public transportation, and with growth from when they first opened the re-electrified project. The Kearny connection we figure will cost somewhere in excess of \$150 million extra, even though the people who are doing it are only admitting at the moment to about 75. We think the 150 will probably be low. The problem that you have is after you open it, then everybody wants to fill it up because it doesn't usually work, and then they have to give away the price. Right now the railroads in New Jersey are probably collecting on the operating side about 40% of the operating costs from the passengers. So there is a tremendous toll on the economy of the State in providing for this kind of transportation, which has a lot more pizzazz than buses.

The buses aren't terribly romantic. People who don't use them, don't like them. I hope the people who use them like them better than the people who don't. But somehow or other we make decisions about railroads that allow us to spend enormous capital sums and then continue to operate them; and some of those decisions could be applied to buses. For example, railroads are nicer because there's more cubic feet per passenger in a railroad car. But nobody comes to the bus companies and says, "Look, we want to support you to take some of the seats out of the buses, and instead of running them with 49 passengers let's put two and one seating and run them with

32 passengers. It would give people more leg room, individual reading lights, serve coffee, whatever." The cost would be a helluva lot less than the cost of running the train, and some of the amenities would start to match up. But somehow or other we're never thought about in the same league. Most of the places where the real dollars are spent are on the capital projects for the railroad, and that's where the continued emphasis winds up going.

We do a very good job at a very low price, and there are a lot of places where we could be more innovative if the economics of our innovation would be allowed. Right now, my bus line-- I run a company called Shortline in North Jersey. We're headquarterd in Mahwah. The level of assistance per passenger on the railroad that competes with us foot for foot from Ridgewood all the way to Mahwah is higher than the fare we charge for a passenger to go to New York City, and we pay for all of our operating costs and virtually all of our capital costs. So if the State decided to eliminate the subsidy to the railroad, they could let all those people in Bergen County ride for free to New York City. I think then we'd see some cars off the road.

But that's not the choices that are made. What we have to do-- I mean, obviously the railroads aren't going to go away and probably they shouldn't go away, but the system of analyzing them should be better balanced in terms of speed, in terms of cost, in terms of flexibility, and in terms of potential.

ASSEMBLYMAN MILLER: Yeah. I think the railroads are here to stay as you say. I think the more they are used, the more cars that come off the road, I think that would be again good for your business too. As far as buses are concerned, I think that would work.

I think you are right when you talk about subsidies for railroads versus subsidies for the private -- other than New Jersey Transit. I think you're right there. The argument there is of course, they do give you the capital equipment, new buses and what have you. Whether or not that's enough to offset the other I don't know. But as far as money is concerned, we're going to come to the point in this State if we keep going the way we are, where money is not going to be the object. They are just going to have to spend it regardless of what the cost is, to take care of the problem. It's like our floods, Frank. You know, we're just being flooded out with people and industry. It just gets worse and worse and where do you stop after a while? You just choke to death with this thing, so something has to happen with it.

MR. RUKIN: Choke on our own success.

ASSEMBLYMAN MILLER: That's right. Success begets success until you're a failure.

MR. RUKIN: Right. Everybody will go back to Houston. (laughter)

ASSEMBLYMAN MILLER: That's right, yes.

MR. RUKIN: The third item that we have to talk about is insurance. We really concur with what the truckers have said about insurance. The costs are very high. In our industry we're required to have \$5 million combined single liability if we run interstate service. In my company's case, our insurance costs in our last year went up from a \$1,900,000 to \$4,600,000, all of which had to be passed on either through service cutbacks or fare increases.

We are presently out of the surcharge for the Joint Underwriting -- whatever that's called. I'm not terribly familiar with that. Buses are exempt from that surcharge at the moment. We would like it to remain that way. And we certainly would like to see insurance reform -- tort reform primarily -- because we are one of those characters who are

perceived as having deep pockets. We're required to have \$5 million worth of insurance. Whatever accident we're near, we're included. Anything that can be done to make the no fault laws really no fault, to place the negligence where it belongs in the cases where negligence still is a factor would be of use to us. I don't think this is the forum to discuss that at length, but it's a terrible cost burden for us.

Our competitor -- NJ Transit -- chose to have a higher deductible so it never showed up in the budget. But if the increased insurance costs are really a result of underwriting losses, somewhere down the road you're going to be faced with funding that, as you are with the unfunded pensions and so forth. So they can keep their prices down, compete more favorably with us, but we don't have that same option.

ASSEMBLYMAN MILLER: No such thing as a free lunch.

MR. RUKIN: No such thing. Never has been, and I doubt if there ever will be.

On tax issues, I touched upon the surcharge for the assigned risk program. There's a lot of talk now about renewing the Trust Fund. In the last negotiations for the Trust Fund we were exempted from the extra tax on the surcharge. Until the last deal was made-- We had gone to bed early that night. I guess so we missed the last deal. We were there for the next to the last.

ASSEMBLYMAN MILLER: You and Dewey. (laughter)

MR. RUKIN: We know. We're going to stay up late. We wound up being caught in that. We were successful later on in having some legislation introduced and passed and signed by the Governor that rolled back some of that increase for certain types of service that fit the State's policy goals about public transit service. They did not cut it back for charters and tours, for example -- for the tours to Atlantic City, that kind of stuff -- but for regular route commuting and regular route bus transportation there was a change in those tax laws that

gave us an exemption. We have to pay the tax, I believe, and then file for an exemption.

There's now talk again about renewal of the Transportation Trust Fund. We really don't believe that these programs should be counterproductive. If you want us to be out there at the lowest cost and the lowest prices, to get people out of their cars and into public transportation, then why burden us with these kinds of taxes and even burden us with the administrative burden of getting them back? I don't understand what that serves for anyone.

ASSEMBLYMAN MILLER: It's like social security. They give you social security and they tax you and take it back again. It's a great system we have.

MR. RUKIN: The other thing-- We've had a bill pending which I believe is held up in the RF&A Committee. For some semantic reason, when we have our vehicles repaired at outside repair shops, the way the law was written we're supposed to be exempt from sales tax, but it only exempted us from the taxes on repair parts. And somebody in the Division of Taxation decided that that means we ought to pay a tax on repair labor. We have never seen a difference in that before. You send something out to a body shop or an engine repair shop and you got a bill, and if it was tax-exempt, it was tax-exempt. We took that through the courts and we lost. Then subsequently we had legislation introduced, I believe by people from Bergen County, I think it was Senator Cardinale and Senator Feldman--

ASSEMBLYMAN MILLER: I introduced it on our side.

MR. RUKIN: And then you introduced it, right.

ASSEMBLYMAN MILLER: To be perfectly honest, I don't know where it's at on our side.

MR. RUKIN: It's been going on for so long, I think we've passed a couple of sessions and it's been held up regularly in RF&A. From the point of view of the State's

budget it's not major, but to the kind of bus companies that we run and represent, it is a problem.

ASSEMBLYMAN MILLER: It's just another example of throwing another cost at you that has to be passed on to the consumer.

MR. RUKIN: Absolutely.

ASSEMBLYMAN MILLER: Yeah.

MR. RUKIN: The next item is tolls. We are constantly subject to whatever toll increases come about. Most recently, effective on Sunday or Monday, we had a 50% increase in the tolls through the Lincoln Tunnel. So a bus now pays \$3 instead of \$2. From what I understand, it raises about a million dollars in additional revenue for the Port Authority. I won't comment on what that will do for the Port Authority, but it certainly takes a toll on us and on our passengers. And again, our competitor -- NJ Transit -- will get that money, whatever portion of it they pay, from the operating subsidies that come from the State treasury. They will not have to pass it on to their passengers because the Governor has promised them no fare increases. We, on the other hand, will have to come up with this money, and will have to raise our fares to cover it.

ASSEMBLYMAN MILLER: Well they had a 25 cent fare increase, I believe for passengers.

MR. RUKIN: PATH.

ASSEMBLYMAN MILLER: Was it PATH?

MR. RUKIN: Only PATH. Only PATH, 25 cents; which takes them now to a dollar, and I think it costs them \$2.60 to provide the ride. So it's another place where the Port Authority now competes with us, provides a service at much less expense. And that's only the operating cost that's \$2.60; that's without the capital cost. So the PATH ride is probably \$4 or \$5; the people pay a dollar. We're running a bus through the tunnel and they pay all the cost for that, and that's the competitor.

ASSEMBLYMAN MILLER: These are all good points, because it has to do, again, with getting cars off the road and getting people movers to work, and these are things that prevent it from happening because you have to keep your price up -- and if I'm going to pay that much I might as well take my car.

MR. RUKIN: And the last thing I think we ought to discuss with you is our relations with New Jersey Transit, because they are our judge, our jury, and our executioner. Relations with them have been stormy since their inception. I must tell you we still have problems with them but the communications now are reasonably decent. We went through a long process on the issue of destructive competition, which was one of the few areas of protection that we got in the enabling legislation. They've been in place since July of '79, so we're going on eight years. They finally came up with the destructive competition rules that they would live by, and we came to agreement on virtually all of the issues that were involved there -- with a lot of give and take on both sides -- except for the right of an impartial arbiter to have but a single remedy. So if NJ Transit now is found in violation of destructive competition rules, the sole remedy that the arbiter -- the impartial arbiter -- can give is to have them stop what they were doing that was destructively competitive.

ASSEMBLYMAN MILLER: And never mind the loss you've taken because of the--

MR. RUKIN: Right. And we had even agreed that the impartial arbiter would have the ability only to make a recommendation, and the final decision would be made by the NJ Transit Board. We caved in to that demand of theirs, on the basis that if an arbitrator -- or it's actually an administrative law judge -- decided that they had been so coercive and so abusive of their power, and had destructively competed with a private carrier in order to do him economic

harm, that this A.L.J. made a recommendation for monetary damages, that the NJ Transit Board would have to look upon that -- even if they choose not to participate or to certify that recommendation -- that they would at least look more closely upon their staffs and not allow them to participate in the same manner, that it's really kind of a club. So we have filed a lawsuit against NJT on these regulations, which were adopted by their Board of Directors. I believe that's pending now in the courts.

We have a very difficult time in the courts because of this aura of public policy, and it's possible we may have to come back here to you -- as the Chairman of this Transportation Committee -- and ask for legislation that will make crystal clear what we think is clear enough in the enabling legislation that's around now. But I think you'd rather have us go through what the normal process is before we bring it back in to the legislative agenda.

ASSEMBLYMAN MILLER: Well, I'll tell you. I have two pools of thought on that. If you want to spend your money for lawyers and whatnot, that's one thing. If you can do it by the legislative process and getting it through, that's something else. However, I think the legislative process would probably be a lot slower--

MR. RUKIN: Right. So did we.

ASSEMBLYMAN MILLER: --than going by way of law. So you pay your money, you got your choice.

MR. RUKIN: As did we, and this is an issue obviously of crucial importance to us long-term, and it's something that -- while you don't like to spend short-term money for some problem that may never exist, and we certainly hope will never exist -- we think that for the protection of what is an endangered species in this State we ought to do it.

ASSEMBLYMAN MILLER: Don't mention that or you'll get the DEP involved. Then you do have problems. (laughter)

MR. GALLAGHER: We want them to regulate us.

MR. RUKIN: That's right. We're going to the EPA next, we're going to get away from environment.

ASSEMBLYMAN MILLER: You have my blessings.

MR. RUKIN: That is the extent of my comments to you on the problems of the bus industry in the State. Frank, do you have anything to add.?

MR. GALLAGHER: No. I think you've covered everything very well.

ASSEMBLYMAN MILLER: Well, I think it's all germane also to the subject at hand. I might point out to you that the Joint Underwriters Association, when Commissioner Merin was before us talking about the need for this increased money, it was pointed out to him the fact that are those companies who are self-insured -- trucking outfits, bus companies, what have you -- and they did not participate in the JUA at all but they were still going to have to be a part of this and pay into it. And so we got a commitment from him that he would not invoke that part -- because it was at his discretion -- he would not put the bite on those particular groups. Just to be on the safe side, I put a bill together and I have 72 signatures out of 80 in the Assembly, putting it in black and white what he said he would do verbally. It's not that I don't trust the Commissioner, but we've had seven or eight commissioners since I've been down here, and the next guy might forget what the last guy said, see? So you put it in black and white.

That bill was up before the Insurance Committee at their last Committee meeting. I was on vacation at the time, and I had a call from Ken Merin's legislative contact. She had some amendments. She sort of told me what they were over the phone. I said, "Fine, it sounds pretty good to me." So I went to the Insurance Committee meeting, and didn't have a chance to-- I got back on the one night and the next day was the meeting, so I get down and read these things. Well, if you

know Mike Adubato -- who was on the Insurance Committee -- Mike was extolling his virtues in front of everybody at the Committee, and going on and on. While he was doing that, I was reading the bill. What they came up with for amendments put the thing back the way it was before we made the commitment, so I held it right there. And Dave -- I think his name is -- he's putting it back the way it was, and at the next meeting that will come up. At which time it should clear the Insurance Committee, get it on the floor for a vote, and get it over to the Senate side so that something can be done over there with it. But that's where that one stands.

MR. RUKIN: Good. We thank you for that, and we thank you for your continued support and interest in us. We are available to you at your wish to participate in this process any way we can.

ASSEMBLYMAN MILLER: Our job is to help the State, through you people, to get the job done the way it has to be done. And these people sit here and they're willing to work with us and with you to put the pieces together. If it's fair, it's fair. We'll bring it up. If it isn't fair we're going to tell you we don't believe in what you're doing. But if it's justifiable we'll do our best to straighten the world out. All right. Thanks for coming down. Thank you.

MR. RUKIN: Thank you very much.

MR. GALLAGHER: Thank you.

ASSEMBLYMAN MILLER: Anybody else from the bus industry would care to be heard? (no response) I guess the best for last-- Is that the way we say this? The New Jersey Highway Authority, Jim Conlon. Is Jim here? (affirmative response) Yes. (Aide informs Chairman that another witness will be testifying) Okay. Thomas Critchley is it? (affirmative response) Okay, good.

Gentlemen, you've heard all the stories so far. I don't know if you've been to any of these -- or anybody has been to any of these hearings, but as I said in the beginning what we're trying to do is to find out if the left hand knows what the right hand is doing. We're not so much concerned about how we're going to go about financing this stuff, although it is a concern. I think our main concern is to recognize a problem which we all recognize. We are gridlocked now to a great degree. How are we going to go about ungridlocking what we have, and what do we do for the future, and how do we work to the future to get to that particular point?

I have to say before you start that the New Jersey Highway Authority and the Turnpike Authority do a tremendous job as far as the upkeep of the roads are concerned -- the maintenance, the neatness, and the courtesy of the employees at the tollgates. I think that both are commendable operations. Then when I hear somebody say we should take and float a \$300 million was it -- or a billion -- bond, and we'll buy out the Authorities and we'll take over their debt, and let the State of New Jersey take it over through DOT and let them run the whole show, I say to myself, "No this can't be, because I know what our State highways are like when it comes to the debris laying around, and the sand that's never cleaned up, and you name it, we've got it." So rest assured, I wouldn't go along with anything like that if it's the last thing that ever happens. With that in mind, welcome.

J A M E S C O N L O N: Mr. Chairman, I'd like to make a brief statement and then I'll answer your questions.

ASSEMBLYMAN MILLER: Sure.

MR. CONLON: As most New Jerseyans know, the 173 mile Garden State Parkway has been one of their most visible and attractive public facilities since it was first opened in 1954. Not only the natural landscaping and the litter free

aspect of this major north/south shore corridor is a treat to the eye, but its built-in safety features make it one of the nation's safest toll roads. Last year the Parkway carried a record 317 million vehicles, about 98% of which were tourist and commuter passenger cars. Since 1980 the Parkway traffic has increase almost 50%. Since 1970 it has doubled. According to current projections, an annual growth rate in excess of 6% can be anticipated in the foreseeable future.

These kinds of statistics are by no means unique to the Parkway. The so-called "Growth Corridors" and mounting traffic are among the critical national and state issues of our time.

Mindful of this, the Highway Authority Commissioners took a dramatic step in 1983, authorizing an unprecedented 5-year capital improvement program, presently at the \$580 million mark. This would involve all aspects of the Parkway's operations, on and off the road. The Parkway has increased its capacity between 35% and 50% in several key areas, from its northernmost county in Bergen, to as far south as Toms River in Ocean County. With resurfacing the first 30 miles of pavement from Milepost 0 to 30 in Cape May and Atlantic Counties, and other improvements in this section also on the drawing board, and many widening projects already completed, the whole length of the Parkway -- from the north down to much of Ocean -- will have been widened and its first 30 miles improved by the end of 1988.

Widening is the major, but by no means sole endeavor employed to move traffic. I should add too that in this much needed widening every effort is made to stay within our established rights of way, and to keep or improve the existing landscaping. As we proceed with our capacity enlarging projects, additional toll booths and lanes must be added to keep pace. Our eight service areas are in the process, or are slated for improvement and enlargement as well. Several

additional programs are also in place. Over 2500 free commuter parking spaces located up and down the Parkway, encourage car pooling. I want to add, they're free. They cost us money to maintain, but we don't collect even a quarter to let people get in them.

A discounted bus token program lets commuter buses proceed directly through the designated automatic toll booths. They get a discounted fare, and they also get the same access that passenger cars do, so they're not held up at the toll booths.

In 1985 we installed a supplemental branch toll at Bergen as a pilot project, which can process an additional 400 cars an hour within the existing limits of the toll plaza, without encroaching on the adjacent landscaping or right of way.

The Authority is in full communication with its 51 adjacent municipalities and 10 counties about impending construction. The dialogue is often a two-way street, as we hear from them about their needs, and the impact of the Parkway on their own roads. At our expense, we have installed traffic lights on local roads and undertaken several off Parkway construction projects in order to facilitate existing Parkway traffic, and to reduce congestion on local streets.

We are also in frequent touch with our sister toll roads, the Turnpike and the Expressway. Our own Commissioner Buckwald was recently appointed Chairman of the Highway Safety Subcommittee of the National Association of Counties Transportation Steering Committee. So we have a great deal of input on the county level from that area as well. And through membership in the International Bridge, Tunnel, and Turnpike Association, our Commissioners and staff are in regular touch with toll facilities throughout the world to find out what they are doing to combat their similar and serious traffic problems. Workshops on various aspects of maintenance operations and the like, take place year around.

That this Authority works in full cooperation with the New Jersey Department of Transportation, scarcely needs mentioning. As recent examples, we coordinated our activities with the Department in designing ramp improvements to Interstate Route 287. In the reconstruction of Parkway Interchange 100, we gave DOT the opportunity to improve the Route 33/66 intersection in the vicinity of our interchange. And last fall the Commissioners authorized design work to proceed in order to construct a direct Parkway link from the Union Toll Plaza to Interstate Route 78 West; a great improvement for our patrons who presently must travel east and make an unwieldy U-turn to go west on Route 78.

In 1985, the Commissioners authorized a master traffic plan study of the Parkway to be undertaken by our traffic consultant Vollmer Associates, to include a review of the basis upon which current Parkway planning is done; a preliminary formulation of policy regarding future accommodations of passenger cars, bus traffic, truck usage, local development, commuter lots, service areas, and the like; a development of projections of future traffic demands in five-year increments to the year 2000. and even beyond; and a review, not only of the overall development trends that relate to the Parkway traffic growth, but also of specific development sites in the narrow band of municipalities along the Parkway that will affect this growth. Vollmer has been in contact with countless State, county, local and quasi-public agencies, and has already developed much useful information. We intend to share this information developed with the New Jersey Department of Transportation and other appropriate agencies.

As I said before, the Parkway is one of the safest roads in the country. I would like to provide you with just one statistic that illustrates this in meaningful numbers. In the three years 1984, '85, '86, the fatal accident rate on the Parkway was 0.7 fatalities per 100 million miles of vehicle

travel; about 35% lower than the fatality rate on the U.S. Interstate system as a whole. The Commissioners have not been content to just compare our accident rates with other highways, but strive to improve our already good performance. I estimate that had the fatality rate which the Parkway experienced in 1976 of 1.5 continued for the following ten years, we would have experienced an additional 150 fatalities in the decade just passed.

And that concluded my formal statement.

ASSEMBLYMAN MILLER: Do you have a copy of that that we can turn over to--

MR. CONLON: Yes, we already did, I think.

ASSEMBLYMAN MILLER: That's fine. Very good. Do you have any suggestions as to how we can encourage people to participate in car pools or ride sharing arrangements, as far as you people are concerned?

MR. CONLON: Well, we try by building commuter parking lots wherever we see a need for it. We have met with the New Jersey Transit representatives a few times to see if we couldn't develop some joint usage, and in fact we are presently designing an expansion of our Allwood Road parking lot on Allwood Road in, that's Passaic County I guess.

ASSEMBLYMAN MILLER: Yes.

MR. CONLON: It illustrates the philosophy of the Commissioners, not necessarily of engineers like me. Nobody who uses those parking lots uses the Parkway, we still think it's in the best interest of the Parkway to put a lot at that place. That location may come in from a little west of the Parkway. They park there and they take buses to New York City. As far as we can tell, 95% of them don't get on or off the Parkway. But still the Commissioners, every time I say it's not helping us, they insist that it's good for transportation, and for our people in general.

ASSEMBLYMAN MILLER: The overall problem. I do know that we put a bill through last Committee meeting that will have the Commissioner of the DOT -- either she or her representative -- at each one of the commissions, the Port Authority, the Parkway, the rest of them, just so that we have a tie-in with everybody through DOT.

MR. CONLON: Well, at the present time a representative of the Governor's office sits in on every meeting the Commissioners hold, both the public meetings and the exempt meetings. A representative of the Department of Transportation attends all of our meetings. I meet frequently with Assistant Commissioner Jack Freidenrich on technical problems--

ASSEMBLYMAN MILLER: Good man.

MR. CONLON: --and staff people below me and below him meet frequently on design problems.

ASSEMBLYMAN MILLER: Good. Reference was made earlier to the speed limit enforcement on the Garden State Parkway. Do we have enough State Police on there to really do the job that has to be done, or I get the impression sometimes that they just say, "The early morning traffic, whatever it is, if they're doing 65 mph we can't stop them anyway because we'd have to stop the whole Parkway to do this"? But they'll get you at night if you're doing 65 because there's nobody else around. Is there anything we can do about that, or do we just sort of throw our hands up and say, "That's it"?

MR. CONLON: No, we have programs that try to control speed. I don't know that we'll every succeed. I got a complaint the other day from a friend of mine. He called up to complain that three troopers were riding down the road abreast at 55 mph and there was a traffic jam behind that. (laughter) That's one of our techniques.

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We're also trying to concentrate in areas where we know we have high fatality rates. You know, it really doesn't matter how fast you go if people don't get killed or hurt. So we're looking at where the high speed is causing problems, and we concentrate in those areas. They happen to be in the southern part of the State, I think probably because up north -- as you alluded to earlier -- you can't go fast enough to get hurt. But down south in the middle of the night there's not a whole lot of traffic and you can go 90 mph, but it's not very safe.

ASSEMBLYMAN MILLER: Right. I imagine that the type of accidents in the congested areas are different than the type of accidents in the other areas because in the congested areas it's a rear end type -- a fender bender type -- as versus the more heavily--

MR. CONLON: That's correct. The accident rates are higher up north, but the fatality rates are higher down south.

ASSEMBLYMAN MILLER: Yes. I can see reasons for that. Is there anything that you have in mind that you can do -- Garden State Parkway-wise -- to help the local municipalities and the counties, as far as the traffic that the Garden State Parkway dumps into those areas? Do you have any program for that?

MR. CONLON: Yes we do. We like to deal with the counties primarily, rather than the municipalities. Too often in one county the adjoining municipalities can't agree on what they would like us to do. We have entered into agreements with Bergen County on Interchange 171 and 172. We have an agreement right now with Atlantic County on Tilton Road. These agreements provide for who will construct what and who will pay for it. In many cases we pay the lion's share of the cost. But we like to work with the counties where the counties have a master plan for highways.

ASSEMBLYMAN MILLER: Right.

MR. CONLON: Planning is really needed, and we like to participate in that planning. We really don't like to take the lead in it. We think the counties should do that. But we have quite a number of agreements with counties and municipalities for improvements.

ASSEMBLYMAN MILLER: I think you're going to see more of that when this Transplan goes through, where the county is going to have a lot more to say as far as the building within a particular area -- whether it be a Route 1 Corridor, or whatever. Any of these plans would have to go before a county, for traffic, sewers, water, this sort of thing.

MR. CONLON: Even if we didn't want to work with the counties we're really forced to, because congestion on the local streets backs up onto the Parkway. Very often we're prodding a municipality or a county to do something or let us help them do something, in order to improve traffic flow around our interchanges.

ASSEMBLYMAN MILLER: I know what the answer to this is, but just for the record-- Why don't we get rid of the toll booths and do like the Turnpike does?

MR. CONLON: Oh, oh. We have what's called an open collection system. The Turnpike has a closed system. You get a card when you enter, and you surrender the card and pay the fare. The type of toll collection that we have was established in 1952 or '53. It can't be changed except at a great expense. I estimate it would cost you at least \$50 million to try and change it.

Also, our system has several advantages. It had the advantage originally, when there were three free State sections scattered in the middle of the Parkway, it has the advantage that you didn't have to pick up a ticket three times if you went the whole length of the roadway, which would have been necessary if you had a closed system.

Our average driver goes 16 miles on the Parkway. We hear a lot of complaints about, "I had to go through 11 toll booths." Well, there aren't too many of our patrons who go from the New York state line down to Cape May. A few do, but very few. The average trip is 16 miles. So you're really not delayed on the average trip any longer than you are at the Turnpike. Of course those people don't complain. It's the people who go through--

ASSEMBLYMAN MILLER: Providing that 16 miles isn't up in the northern part of the State, coming down from S-3 down through Newark on down. Then you're--

MR. CONLON: Well, but 13 miles of it can be in the free section of the State and you go through one toll booth. It's a different way -- as a matter of fact I've prepared a paper, which I send to people who write to me. I'll be glad to send you a copy of it--

ASSEMBLYMAN MILLER: It would be good for the files.

MR. CONLON: It explains in some detail why the system is the way it is. It could not easily be changed except at a great expense.

Then, the major disadvantage to the closed system that the Turnpike uses is that they have 20 interchanges. We have 90 interchanges, about 280 separate ramps. A closed system won't work with any free access. Every entrance and exit must be tolled. We have many free interchanges. We're trying to get rid of them but we have many of them still.

ASSEMBLYMAN MILLER: Haven't found them.

MR. CONLON: Oh they're around, especially south of Asbury Park.

ASSEMBLYMAN MILLER: No, I recognize the reasons for it. I didn't realize that you had 90 of these interchanges. But if you wanted to buy the property so that you could widen them out to put that type of booth in, you also have to have an entrance with the same type of situation. It becomes a massive

type of-- I think your \$50 million is a very conservative figure, from what I could see would have to be done, because you'd be buying property in some of the busiest sections and some of the most valuable sections of the State to do that. I'm talking about the northern part of the State. It would be almost impossible to do.

MR. CONLON: The traffic engineers also theorize that stopping every once in a while is good for you. It keeps you awake. It keeps you alert. It does stop you from going 90 mph for 100 miles.

ASSEMBLYMAN MILLER: I don't go to down to the shore on weekends any more, because I hate like the devil to ride the Garden State Parkway because unless you leave at six o'clock or five o'clock in the morning you're going to be in traffic jams. What are your plans to try and alleviate the problems that exist today on the roads as far as the traffic is concerned?

MR. CONLON: Well, we're adding an additional lane through the Asbury Park area.

ASSEMBLYMAN MILLER: Okay, so you do that now and come ten years from now you need another lane. What do you do? What are your plans for the future in this thing? Just like I said to Bo Sullivan, "What are your plans for 2005?"

MR. CONLON: We are having a master plan study done now. We really don't have any plans for the year 2005, but we soon hope to have them.

ASSEMBLYMAN MILLER: Have you given any thought to a monorail down the middle of the Parkway? Have you given any thought to getting into that business?

MR. CONLON: No, we haven't.

ASSEMBLYMAN MILLER: Have you given any thought to putting a 10 cent per car, per tollgate -- a dedicated amount of money to go set aside for the particular purpose of setting up a monorail down there, and start this program going so you

get yourself "X" millions of dollars ahead or billions of dollars ahead, so you can start moving on a program like that?

MR. CONLON: Our Executive Director is a member of the State Monorail Commission -- or Committee -- studying monorail, but we have not done any planning for monorail.

ASSEMBLYMAN MILLER: Well that study so far, as far as I can see, talked about Atlantic City, talked about Newark, it talked about five or six sections in the State to run studies. I saw nothing that said something about 287 getting it down, or 280 getting into Newark, nothing about the Garden State running it. It just seems to me that if we could just do something in that area-- I think if the people know it's dedicated funds for a dedicated purpose, they're going to object, but they're not going to object as much as saying, "There they go again, raising the money. What do we do with these millions of dollars?" If it's done with that thought in mind -- and again, I'm talking about 2005.

If we don't start planning that kind of stuff today, come 2005 and it's just like our garbage problem today in this State. Now we're thinking about it. We can't dump any more in New Jersey. We go to Pennsylvania, they're going to stop it over there. We can't put in the ocean any more. I guess we have to start eating it. I don't know what you do with this stuff. But the same thing is going to happen to our traffic if we don't do something.

I said the same thing to Bo Sullivan. You have to do something besides putting more macadam down. Yes, you have to put it down today to take care of the problem that exists today. But while you're doing that now, start thinking about a parallel program for the public conveyance of people to keep those cars from increasing -- the volume from increasing. In a certain year it should level itself off because the public transportation is so convenient, and you get the trains or the monorails at a regular interval -- maybe a-- (inaudible) is

going to induce people, a library or something -- but do something to take care of the problem that it out there. We can see it. You have to be blind not to recognize what's going on in the metropolitan areas, or the Philadelphia area or the Camden area. You don't have to be blind to see this. But it just seems to me that we're so engrossed -- and I don't fault you, because we're all the same way. We're looking at what we have right now. How do I take care of this little problem here, not thinking about that little problem that goes on and on.

Maybe we need more toll roads in this State. I don't know. There was a time they were going to put a toll road from Wayne to Toms River. That got wiped out. It's going to cost us millions upon millions to buy this kind of property. But if you buy it today for millions, it's going to cost you billions you tomorrow. But where is the overall thinking on the part of the agencies to put these pieces together? As I said before when we started this, you do your thing, the Turnpike does its thing, DOT does its thing, and nobody but nobody does the overall on this until after it's too late, like Route 1 and the Hudson River Waterfront. And so all I'm saying is that if I have a message for you to take back to your people, please think about the future but think about it today. And if it's needed for dedication purposes then let's do it.

I'll go one step further. I know right now that you are turning -- what is it? -- so many millions of dollars a year over to the State.

MR. CONLON: Ten million.

ASSEMBLYMAN MILLER: Ten million dollars a year, and the Turnpike is doing the same thing. They do need a dedicated source of revenue. As I say, I have a bill in to take the whole 8 cent gas tax and all the diesel fuel tax that's from New Jersey. I might have to come to some sort of a compromise, as was suggested maybe to take one penny this year and two

pennies next year, and work it on in. I don't know. But as part of a compromise I wonder whether or not the people of the State of New Jersey will go along with the thought of 5 cents extra -- 30 cent toll instead of 25 cents toll -- and that 5 cents is dedicated to the State of New Jersey for the purpose of improving the roads and what have you. That your Parkway and the Turnpike and the rest of you dump your traffic into local municipalities and, "Hey county, it's your problem not ours. City it's your problem not ours." But we've got the problem locally, and we have to take care of these people, because they've got their problems also financially.

I think we've got to get broader on our thinking. We've got to stop worrying about the home rule situation and take care of our own little thing. We've got to look at the overall picture. I just give you that as my point of view, and I would appreciate it if you would take it back to your people, and see what we can do with coming up with a great idea -- thought of by the Port Authority. We're going to put a 10 cent per car, per toll booth, on everybody, and it's going to be dedicated to monorail. I don't care who gets the credit. Let's just do something that's all. I'm getting tired of it. I want to go down to the shore on weekends, I can't do it.

MR. CONLON: I'll take that message back.

ASSEMBLYMAN MILLER: Yes, anybody else? (no response) Do you have anything, sir?

THOMAS J. CRITCHLEY, ESQ.: No, sir.

ASSEMBLYMAN MILLER: Okay, I do appreciate your testimony, great. Anybody else we'd care to hear on the Parkway? (no response) Anybody else care to speak at all on the subject before us today? (no response) Pat, you're sitting back there, taking all these \$3 tolls.

PATRICIA J. MAYNARD: I'm taking notes.

ASSEMBLYMAN MILLER: You're taking notes? Okay, fine. I do want to thank all of you for coming out. I do appreciate it. This is the last of these hearings as far as I know, as far as I'm concerned. And we'll put the pieces together. Thank you.

(HEARING CONCLUDED)

APPENDIX

THE ECONOMIC CONDITION OF THE TRUCKING INDUSTRY

**Statement to the
NEW JERSEY ASSEMBLY TRANSPORTATION COMMITTEE**

by

**Kenneth D. Simonson
Chief Economist and Director of Tax Policy
American Trucking Associations**

April 14, 1987

ECONOMIC CONDITION OF THE TRUCKING INDUSTRY

Thank you for this opportunity to testify on the current condition of the trucking industry. My name is Kenneth D. Simonson; I am Chief Economist and Director of Tax Policy for the American Trucking Associations. ATA is a national federation based in Alexandria, Virginia, that represents all size and types of motor carriers through our trucking company members, our 51 state associations (including the New Jersey Motor Truck Association), and 10 conferences.

Trucking today is a rapidly evolving industry, subject to a variety of enormous economic pressures. Some of these pressures relate to the deregulation that has occurred since 1978. Others result from external economic forces, such as oil and insurance price changes. Still others are the product of federal and state legislative actions, such as tax, productivity, and pension legislation. Let me briefly review the important activities in each of these areas that have affected trucking, and then describe the current state of the industry.

Deregulation

At the federal level, the Interstate Commerce Commission began to deregulate interstate trucking administratively in 1978 through more liberal granting of operating authority. The Motor Carrier Act of 1980 greatly accelerated this process by allowing

the ICC to grant virtually any applicant 48-state authority to carry all types of freight. As a result, the number of carriers holding ICC operating authority doubled between 1977 and 1985, from 16,606 to 33,283.

Carriers are still permitted to set rates collectively, and many do so through rate bureaus. However, they are free to discount from these posted rates, and discounts of 30% or more are widely reported.

State regulation has not changed nearly as dramatically. Very few states have followed New Jersey's example of minimal economic regulation, although there are battles over the appropriate degree of regulation underway in a number of states.

Economic Changes

Since 1978, fuel prices have ridden a roller coaster. The retail price of diesel fuel, including federal and state taxes, rose 119% between 1978 and 1981, from 59.9 cents per gallon to \$1.31. By mid-1986, the price was back below \$1, but it has now reversed course again. In mid-March, the price stood at \$1.03, a little higher than the level of a year before.

Insurance costs have moved almost inversely from fuel costs. In the late 1970s, insurance companies were eager for funds to invest and priced premiums very inexpensively. In 1985 and 1986,

this practice reversed to the point that individual carriers were reporting premium increases of up to 500%--when they could get insurance at all. Currently, insurance is more widely available than it was one or two years ago, but the cost has not dropped. Preliminary data for 1986 show that ICC-authorized carriers as a whole experienced a 27% increase in insurance expenses over 1985.

Other economic forces that have reshaped trucking in the last decade include the rapid inflation and high interest rates of the late 1970s, by the recession of 1981-82, and the huge shift in consumption from domestic to foreign-produced goods. Through it all the trucking share of total freight revenues has fluctuated only slightly, from a low of 73% in 1980 to a little under 76% in 1985. But trucking revenue as a share of gross national product has dropped steadily, from 6.0% in 1978 to 5.3% in 1985.

Legislative Forces

Trucking has long been a highly taxed industry. A study by the Congressional Joint Committee on Taxation showed that in 1980-83, trucking companies paid an effective federal corporate income tax rate of 38.2%, more than double the all-industry average. That rate does not reflect the large amount of federal Highway Trust Fund taxes paid by trucks in those years (about \$3.2 billion per year, or 50% of the total collected), nor the even larger amount of state truck taxes (over \$7 billion per year).

Since 1982, both the income tax code and the user taxes have been rewritten. Trucking should now have a slightly lower income tax rate. But the federal tax on diesel fuel has jumped from 4 cents a gallon to 15 cents, and taxes on vehicles, tires, and highway use have also jumped, resulting in a doubling of federal truck excise tax collections up from 1983 to 1985. Meanwhile, state fuel tax rates have moved up by 40%, with three-fourths of the states considering further increases in 1987, and other taxes have risen as well. The proliferation of state taxes has created an almost crushing paperwork burden, which has just begun to be addressed by the recent National Governors' Association Working Group on State Motor Carrier Procedures.

In exchange for higher federal excise taxes, carriers were supposed to be granted more widespread use of 48' long, 102" wide, and tandem trailers. Carriers have made large investments in new, more productive equipment to make use of these opportunities, but in fact access for the new vehicles remains a large and expensive problem. In Pennsylvania, for instance, there are five different highway designations for permissible length and width combinations.

Historically, many carriers have used union labor forces, while others have relied on owner-operators. Legislative developments have put a squeeze on both types of carriers. Stiff penalties for withdrawing from multiemployer pension plans have made it impossible for some unprofitable unionized carriers to merge or shut down. They have in turn depressed profits for their

competitors. These penalties have also put a virtual halt to the growth of unions in the industry.

Owner-operators have been subject to the same economic pressures mentioned above. Meanwhile, some carriers are finding that new laws or new interpretations of existing laws are exposing them to various types of tax liability for using owner-operators. Recent safety-related legislation putting more responsibility onto carriers may also make use of owner-operators less attractive. Finally, the shrinking pool of new labor force entrants as the "baby bust" reaches employment age threatens to make finding qualified drivers more difficult.

The Industry Today

Today, a record number of carriers competes for a volume of freight that has changed little in the last several years. The end of most restrictions on routes and loads available to interstate carriers, combined with a pie that hasn't grown, means that the new entrants and the successful, aggressive existing firms have been devouring other firms' shares.

Several consequences have resulted. Profitability has stayed below pre-deregulation levels, except in 1986, when a 13% drop in fuel expenses helped many carriers offset rising insurance costs and taxes. Failures among interstate and local carriers have risen tenfold from 1978 to 1986, and the failure rate of 182 per 10,000 companies in trucking was 50% higher than the all-business failure rate of 120 per 10,000 companies.

On the other hand, open entry has also enabled some businesses to prosper that would not have had the same opportunity previously. That is attested to not only by the rise of new entrants, but by the huge growth in some long-established companies and the recent outpouring of new publicly held carriers.

The freedom to change rates and to deviate from published tariffs has squeezed many carriers. It has also provided savings to at least a fraction of shippers, and has led shippers to switch from doing their own hauling (private carriage) to for-hire carriage. At the same time, the continuation of collective ratemaking has enabled carriers to realize efficiencies in pricing that appear to have been shared in most cases with shippers. ATA supports the continuation of current regulation.

Conclusion

Clearly, trucking is in the midst of a tumultuous period, and the tumult seems bound to last. In particular, federal and state legislative pressure in areas such as taxation, employee benefits, safety and environmental regulation will keep growing. Competitive pressures will not lessen and could well intensify, particularly if fuel prices and inflation rebound while economic growth remains sluggish. A host of other factors will conspire to keep life difficult for carriers.

However, one must also bear in mind that trucking remains the

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most cost-effective, indeed often the only way, to deliver three-fourths of the nation's freight bill. So, while the companies and the drivers may change, trucking as a whole will remain as strong (or weak) as the economy.

This has necessarily been a very sketchy overview. Further information, including source material for most of the data cited above, can be found in two publications of ATA's Statistical Analysis Department, American Trucking Trends and Financial Analysis of the Motor Carrier Industry.

