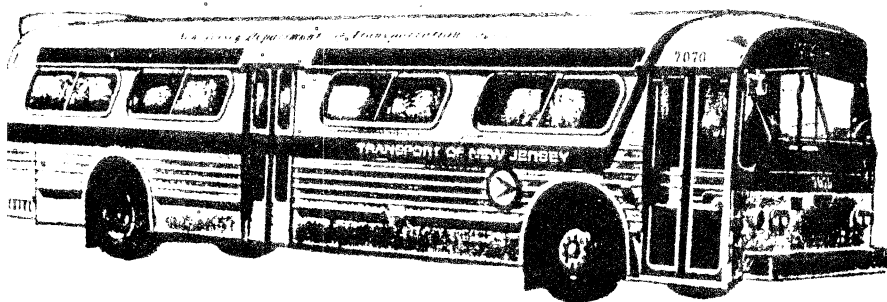
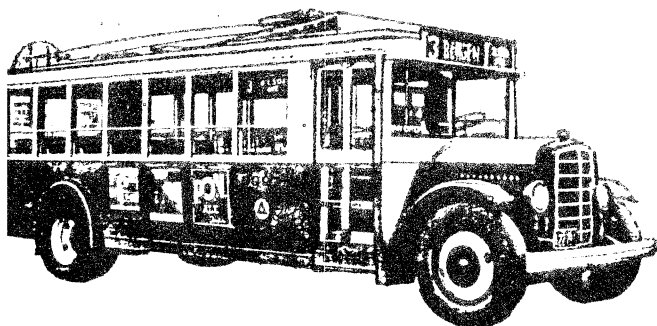
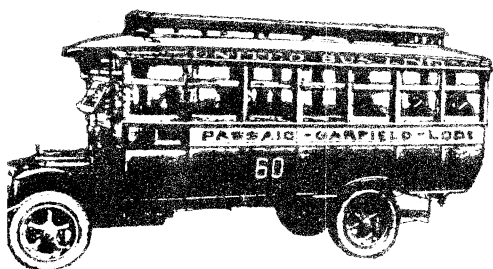
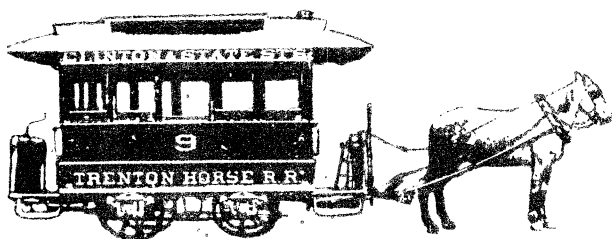


BUS TRANSPORTATION

STATE-LOCAL ROLES and RESPONSIBILITIES



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The contents of this report reflect the views of the County and Municipal Government Study Commission, which is responsible for the facts and the accuracy of the data presented herein. The contents do not reflect official views or policies of the Department of Transportation or of the Federal Highway Administration. This report does not constitute a standard, specification, or regulation.

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ERRATA

PAGE 13, Conclusions, second paragraph,
first sentence should end with:
"...supervision of operations."

PAGE 24, Conclusions, second paragraph,
first sentence, delete "that."

PAGE 30, first paragraph, fourth
sentence change "predominately" to
"predominantly."

PAGE 37, Conclusions, second paragraph,
last word should be "inappropriate."

PAGE 37, Recommendation number 2, delete
comma and change "complimentary" to
"complementary."

PAGE 53, under Regulatory/Supervisory-
Monitoring, line 12, delete "Non-" so
as to read: "...Competitive and Dupli-
cative Services."



State of New Jersey

**COUNTY & MUNICIPAL GOVERNMENT
STUDY COMMISSION**

BUS TRANSPORTATION

**State-Local Roles and
Responsibilities**

THIRTEENTH REPORT

MAY, 1977

County and Municipal Government Study Commission

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TO HIS EXCELLENCY GOVERNOR BRENDAN T. BYRNE, AND HONORABLE MEMBERS OF THE SENATE AND GENERAL ASSEMBLY:

The County and Municipal Government Study Commission is pleased to submit its report BUS TRANSPORTATION: State-Local Roles and Responsibilities. This report, jointly sponsored by the Commission and the New Jersey Department of Transportation (NJDOT), represents a concerted effort to analyze the multiple issues and concerns, primarily from the local perspective, of bus transportation in the State, and to propose an appropriate State framework for dealing with this complex governmental responsibility.

Buses remain the backbone of mass transportation in New Jersey, carrying approximately 75 percent of all the passengers using public transportation in the State. A large segment of the State's population—some 800,000 riders daily—relies heavily on bus transportation for getting to and from work, shopping centers and recreational areas. Buses represent the most flexible and versatile of the public transit modes, as routes can be adjusted to meet evolving demand.

In 1976, the County and Municipal Government Study Commission was requested by the State DOT to identify the issues confronting county government within the context of a state-dominated bus transportation system, to assess the role of the counties in this area, and to recommend appropriate roles for the counties in a restructured system.

Over the course of this nine month study, the Commission's research program revealed a series of problems related to the present approach to bus transportation management. This report is designed to identify those problems which are of paramount concern and to propose necessary measures for improving and strengthening the State's bus transportation system. The following represents the Commission's findings and recommendations, the implementation of which will provide the necessary conditions for an effective State/local system, and are prerequisite for a stronger state-county partnership.

First, the present process and procedures for establishing fares, developing schedules, and determining routes are essentially undefined and fragmented, and a systematic monitoring effort that assures adherence to State orders and directions is

lacking. **To overcome this, the Commission recommends that the statutes be revised to enable the State to maintain primary regulatory responsibility, but that the counties be permitted to participate in the regulatory process in a complementary and supportive capacity, especially in supervising and monitoring intra-county service. In order to obtain the maximum benefit from bus services and/or to minimize costs, the statutory revision should enable the State to modify a carrier's schedules, routes, fares, and headways, in accordance with an understood and prescribed basis and plan, and in accordance with each area's needs.**

Second, the present two-tier regulatory system—the Public Utilities Commission (PUC) for unsubsidized carriers and State DOT's Commuter Operating Agency (DOT/COA) for subsidized carriers—is governed by two different sets of rules and regulations. Also, in the State's urban core areas the future of the bus system is threatened by the inability of the regulatory process to supervise the service. **To address this issue, the Commission recommends that the State consolidate its regulatory policies and powers within a single agency—the State DOT. Moreover, the system needs greater review and analysis from the Legislature and the general public to ensure that the regulatory unit within DOT does not promote and encourage the service which DOT subsidizes to the exclusion of unsubsidized service. Statutory revision should aim to establish, as a principle of sound administration, the paramount importance of competition and the impact of agency actions on competition, and to develop procedures for enforcing adherence to this principle of competition.**

Third, the lack of effective coordination at the State level between the planning and operational units has resulted in a process of nearly exclusive communication between the bus carriers and the State's operation unit, which frequently by-passes county planning agencies. **In order to remedy this situation, the Commission recommends that the statutes mandate that a minimum level and quality of bus services be established, based upon a mutual State-county determination of service needs and the most appropriate manner for providing such services. Also, DOT should establish a framework which promotes and facilitates county operational planning activities.**

Fourth, in response to current inadequacies in the planning-operational decision-making structure, county governments have attempted, to varying degrees, to participate more actively in the process. Their success has depended on a number of factors, not the least of which is the extent of the State DOT's response to their initiatives. **To resolve this problem the Commission recommends, as a condition for annual funding by the legislature that the State DOT be mandated to formulate, and update bi-annually, a State transportation plan encompassing a network system for each of the major bus corridors, and a rational basis for making necessary alterations and adding required new service. Also, the State DOT should reallocate its in-house capability to manage, supervise, and plan a State-wide system.**

Fifth, a review of the intergovernmental process in the bus subsidy program indicates that a workable system needs to be instituted, and that the means, the assurances, and the incentives necessary for prudent allocation of subsidy funds have not yet become part of the subsidy process. **Therefore, the Commission recommends that, as a condition for annual funding, the State DOT be mandated to**

institute rigorous criteria and standards for subsidy and capital programs; and that the State DOT's subsidy and carrier evaluations and procedures be subject to annual review and analysis by the Legislature's Office of Fiscal Affairs.

Sixth, it is difficult for the counties to know the degree to which the operating deficits are based on, or caused by, managerial decisions, market conditions, service routes, inflation, insufficient personnel, and/or any number of other factors and forces. **The Commission proposes that the State conduct an ongoing, but at least an annual, evaluation of all carriers as a basis for the carrier's continued certification meet the public's needs, and that such an evaluation indicate the capability and resources of the carrier as a sound business concern with regard to such factors as personnel qualifications, and management and fiscal controls.**

Subsequent to the implementation of a cooperative, systematic approach to bus transportation at the State level, the Commission recommends that the counties assume certain complementary responsibilities including:

- **Regulatory** — The counties should perform systematic monitoring and supervision of intra-county service, and should take advantage of the formalized opportunity to participate in all regulatory decisions concerning their jurisdictions.
- **Planning** — The counties have an obligation to determine their own intra-county service needs in cooperation with NJ DOT. The counties should also process and maintain the necessary data and information to aid in the cooperative, State-county planning process. The counties should assume the ultimate responsibility for evaluating their intra-county land-use/mass transit interface.
- **Funding** — The counties should be prepared to bear the cost of those selected routes or portions of routes which may be considered to be important to the respective counties but are not included in the State-wide basic service plan, prepared cooperatively by the State and the counties, for which the State will assume total financial responsibility.¹ The counties should also be given the opportunity to participate in the overall effort by contributing "in-kind" services to the operational, planning, and regulatory components.
- **Operations** — The counties have no obligation in this area, but should be given the option to own, operate, or contract with private carriers for public transportation services. Such services may be provided by a single county acting on its own, or in cooperation with a neighboring county or counties. This responsibility may be assumed as a direct function of county government or assigned to a county improvement authority.

Notwithstanding the foregoing recommendations concerning county participation, State government is the ultimate guarantor of the preservation of essential bus service in New Jersey. Thus, if the counties do not rise to the challenge to assume a substantial role in regulation, planning, and funding, the State is obligated to take whatever action it deems necessary, leaving the counties with no cause for complaint.

These represent the essence of the primary findings and recommendations of the Commission's bus transportation study. It will not be an easy task to implement the solutions proposed by the Commission, and it will necessitate the formulation of sound decision-making processes and a severe test of government's ability to manage its transportation resources and to render needed direction and leadership.

During the course of this study the Commission cooperated in a parallel examination of State-level organization and financing issues. The latter study addressed a number of problems of mutual concern—the regulatory process, the planning structure, and nature of the subsidy program. In addition, the State-level study focused on matters relating to the organization and powers of a restructured State agency for the administration of public transportation. The Commission's study assumes that appropriate actions will be taken to establish an overall framework at the State level for incorporating county and municipal level concerns and capabilities.

On April 21, 1977, Assembly Bill 3257, the "Public Transportation Improvement Act," was introduced. This proposed legislation, also introduced as Senate Bill 3220: creates an agency with responsibility for the delivery of efficient and coordinated public transportation; provides for the preparation of a base public transportation service plan; consolidates regulatory powers in the New Jersey Department of Transportation; and authorizes the creation of regional public transportation authorities. The concepts of this proposed legislation are generally consistent with the Commission's findings and recommendations.

* * *

Numerous individuals contributed in various capacities to the overall conduct of this study. The Commission wishes to express its appreciation to all for lending interest, cooperation, time, and resources.

This report was made possible by a grant from the Federal Highway Administration, administered by the New Jersey Department of Transportation.

Respectfully submitted by the members of the County and Municipal Government Study Commission:

/s/ William V. Musto, *Chairman*
/s/ Garrett W. Hagedorn
/s/ Joseph A. Maressa
/s/ Joseph W. Chinnici
/s/ Christopher J. Jackman
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/s/ Fred G. Stickel, III
/s/ Myles J. Gilsenan
/s/ Andrew S. Polito
/s/ Samuel A. Alito, *Secretary*

¹This recommendation was also made by other consultants to NJDOT. *Final Recommendations-Organization and Finance of Public Transportation in New Jersey*. System Design Concepts Inc. and Simpson and Curtin, October 1976, P. V-21.

ACKNOWLEDGMENTS

Without the assistance of many State, county, and municipal officials, this report would not have been possible. The assistance of private bus company officials is also acknowledged, for their provision of resources, ideas, and expertise.

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Many county and municipal officials were contacted throughout the course of the study. They assisted by offering their candid responses to questions concerning their current and potential roles in bus transportation, and by supplying needed data and information. Their interest and helpfulness is greatly appreciated, and while it is not possible to thank them all, the staff wishes to cite the following who were most involved: John Hoschek, Executive Director of the Bergen County Board of Transportation; Frank Reilly, Executive Director of the Morris County Board of Public Transportation; Gary Verhoorn, of the Essex County Improvement Authority; Herman Volk, of Middlesex County Planning Board; Elliott Mayo, former Middlesex County Freeholder; Theodore

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CHAPTER I

INTRODUCTION

Transportation is not only a necessary component of the State's economy but it is also an essential part of each individual's life. Transportation is one of the most extensive and expensive intergovernmental functions—costing over \$26 billion each year on the national level. Federal, State, and local governments all have a say and an interest in the nature and the degree of the transportation system, with the responsibilities differing with respect to the level of government and the mode of transportation.

Although there has been a significant decline in the mass transportation system since World War II, buses remain as the backbone of mass transportation in New Jersey with some 800,000 riders daily—five times more than the rail network ridership. With a population of some 7.5 million people and a bus fleet of some 4,000, New Jersey has about one bus for every 1,900 residents compared to one bus for every 4,000 residents nation-wide. At the same time the State has the nation's most crowded roadways with four times the national average for vehicles per mile of roadway.

The importance of buses is accentuated by the ability of one bus to replace 32 automobiles on the State's congested streets and highways.¹ The bus has adaptability, flexibility and visibility to go where demand is greatest and is able to meet the needs of those who do not have access to private transportation—the transit dependents: the elderly, the economically disadvantaged, the young, and the handicapped. In addition, a sound bus transportation system can address such ancillary State objectives as the conservation of energy, sound land use planning, and assuring reasonable opportunities for jobs and social services.

During the past decade the State's bus transportation network has been affected by declining ridership and increasing costs: in 1969, buses in New Jersey carried approximately 1,200,000 riders daily; in 1976 they carried some 800,000 riders daily. In 1969, the State was not subsidizing bus service; in 1976 the State contributed some \$38 million to subsidize the bus system.

During the past seven years the State has made an extensive effort to address the serious inadequacies in its bus transportation system. In May, 1969, the State Department of Transportation issued a prophetic report entitled, **Buses: Crisis and Response**. The report suggested that a short range subsidy program be considered to assure the preservation of essential service and warned that experience proved that a long term subsidy arrangement which leaves managerial control in the hands of private companies could be highly expensive and inefficient.

¹Testimony before the Governor's Capital Needs Commission, March 1975.

In 1974, the **Phase A New Jersey Public Transportation Study** indicated that the State was experiencing an increasingly serious inadequacy in its public transportation system and identified some of the factors contributing to the inadequacy as poor operating practices, lack of route supervision, and lack of coordination between state regulatory and administrative agencies.

In 1975, the State Office of Fiscal Affairs (OFA), an arm of the Legislature, presented its findings on the bus program in a report entitled **Program Analysis of Bus and Rail Subsidies**. The OFA suggested that the State DOT formalize its plan for bus services and develop clear distinctions between State and local transit objectives and responsibilities. The OFA report also stated that performance criteria for measuring the quality and quantity of subsidized mass transit services do not presently exist within an applicable framework.

During the past two years, in response to these findings and other observations, State DOT has intensified its efforts to formulate agreed upon bus policies and programs, to coordinate the bus transportation roles of the governmental agencies, to supervise the cost of bus service and the allocation of subsidies, and to revitalize the legislative mandate.

In 1976, the County and Municipal Government Study Commission was requested by the State DOT to identify the issues confronting county government within the context of a state dominated bus transportation system, to assess the role of the counties in this area, and to recommend appropriate roles for the counties in a restructured system.

This report represents the Commission's response to that request and an analysis of the issues and problems that confront the counties in bus transportation with recommendations for a strengthened county role in a restructured statewide system. The report acknowledges that the State and the bus operators are the leading actors in the State's bus transportation system, with the counties playing a secondary role and responding to the initiatives of the State and the carriers.

In general, the system of bus routes and services in New Jersey has not been able to keep pace with changing development patterns, and, as with the rest of the country, has been superseded by the comfort and convenience of the automobile. The dispersion of the State's population has left many routes without a viable ridership potential and has made it increasingly difficult and costly to provide bus service to new traffic generators. Regulatory, planning, and administrative constraints have exacerbated the financial difficulties of instituting new routes and service and in discontinuing old routes which have lost their financial and social viability.

The core of this report's findings are presented in Chapters Two, Three, and Four. These three chapters identify and discuss the major problems associated with each of the critical processes or areas in the bus transportation field—the regulatory process, the planning process, and the subsidy determination process. Chapter Two deals with the regulatory and supervisory issues, and the need for clear development by responsible governmental units of a coordinated and integrated regulatory and supervisory process for the some 210 bus carriers in the State which conduct regular route bus service. Chapter Three focuses on the planning and financial programs in bus transportation and indicates the need for greater coordination between the planning

and operational units. Chapter Four concentrates on the bus subsidy determinations and evaluates the basis for county reluctance to contribute to this program. Conclusions and recommendations appear at the end of each of these chapters.

Chapter Five presents an overview of the county's role in the statewide system, and Chapter Six proposes an integrated framework for future policies and actions. This nine month study on bus transportation—which encompassed researching and analyzing reports and documents, conferring with State and county officials and bus operators, and conducting extensive interviews—represents Phase I of the Commission's work in the field of transportation. In its Phase II report, which is scheduled for completion by the end of 1977, the Commission will review the role and needs of local government in the State's road and highway system.

CHAPTER II

REGULATING AND SUPERVISING THE STATEWIDE BUS SYSTEM

Introduction

In the State of New Jersey, the State Department of Transportation's Commuter Operating Agency (DOT/COA), primarily, and the State Public Utilities Commission (PUC) and the Federal Interstate Commerce Commission (ICC), secondarily, are charged with the responsibility for regulating and supervising an efficient and competitive bus transportation system.

At the present time no single agency or governmental unit has clear responsibility for developing, coordinating, and integrating regulatory bus transportation policies in the State. The process and procedures for establishing fares, developing schedules, and determining routes is fragmented: The ICC has primary regulatory jurisdiction over all *inter-state* bus operations; the DOT/COA has primary regulatory jurisdiction over all *subsidized intra-State* bus operations; and the PUC has primary regulatory jurisdiction over all *non-subsidized intra-state* bus operators and the safety of all bus operations.

Regulating and supervising bus service is considered by many observers to be the most important functional responsibility in the bus transportation field.¹ Some of the regulatory problems and controversy center over such important issues as: whether the regulatory agencies are more responsive to the regulated industry and their own internal bureaucratic imperatives than they are to the private citizen and the public interest; what are the rights and responsibilities associated with a bus carrier's certificate to provide service; how the State determines and reconciles the basis for permitting competitive bus companies to operate in the same areas where economies and experience indicate that the competition is not to the public's best interest.

From the county, local and citizens point of view, many of the problems associated with the provision of adequate bus service are a consequence of this fragmented approach to regulation.

The Federal Interstate Commerce Commission (ICC)

The ICC, created in 1887, is the oldest Federal independent regulatory agency. The ICC is concerned, as a matter of policy, with assuring that the public's transportation system, which is under private ownership, is regulated in an efficient and effective manner. The stated intent of ICC's economic regulation is to educate, to inform, to enforce ICC regulations, and to assure that the carrier is able to meet all the essential

¹Urban Affairs Quarterly, June, 1973, pp. 423-437.

expenses necessary to operate the buses. The ICC's economic regulation of New Jersey's interstate regular and charter bus routes is supervised from a Newark office—four personnel overseeing 49 bus companies—and a Trenton office—one person and 19 bus companies. The supervision of bus companies represents only ten percent of the overall responsibilities of these offices.

The ICC has an agreement to exchange information with the State PUC and in the Summer of 1975 a similar arrangement was formulated with the State DOT. Until recently, cooperation and understanding between the ICC and DOT was negligible or lacking altogether, prompting the ICC to counsel *all* carriers to comply with all ICC provisions and to disregard any other instructions to the contrary. The ICC field and NYC regional office personnel have been reluctant to permit State personnel to review their public records and, consequently, there has been little coordination and exchange of regulatory information between the agencies.

Sound regulatory decisions require a significant amount of pertinent information which will provide the agencies with insight into the effect which proposed regulations would have upon all parties concerned. The inability of the ICC and DOT to formulate a coordinated approach has:

- precluded the development of information exchange programs;
- limited the availability of economic and regulatory information; and,
- impeded the development of an integrated monitoring program.

The State Public Utilities Commission (PUC)

The State Public Utilities Commission (PUC) has been responsible for regulating the bus industry (in whole or in part) in New Jersey for some sixty years.² Historically, bus companies could not conduct intrastate commerce without a certificate of public convenience and necessity (PC&N) from the PUC. Such authorization in turn had to be based on a determination that the proposed service was “in the public interest”. Prior to 1973, the carrier was also required to obtain the consent of the municipality in which service was provided.

Once PUC has issued a certificate, it is unusual that such a certificate will be revoked. PUC personnel have indicated that they have no evidence of ever having revoked a certificate of public convenience and necessity and that there has been no public need to authorize new franchises in recent years. The statutes³ indicate that the PUC may revoke a certificate of PC&N provided it finds that:

- operations by more than one operator in a given area will adversely affect the financial stability of operators rendering the service because of insufficient revenues;
- the adverse effect upon the operators will result in improper or inadequate service to the public; and
- there will be sufficient service to meet the public requirements even though one or more certificates are revoked.

²Earlier PUC statutes were enacted for the “autobus” in 1911, 1916, 1924, and 1926, *Title 48 of New Jersey Statutes Annotated*.

³*New Jersey Statutes Annotated*, Title 48, Public Utilities 48:4-7.

Although the PUC has not revoked certificates of PC&N for any of these reasons, the PUC safety and health (sanitary) inspection staff, which conducts semi-annual inspections of bus companies, has put companies on notice for failure to meet standards in their areas of concern. One bus company had some of its buses removed from service three times within a six month period in 1975.

Also, as the issuing agency for certificates, PUC maintains records on the bus operators in the State. PUC's most complete recent statistical summary on bus operations, for 1973 is as follows:

Figure II-1
PUC's Annual Summary on Bus Operations, 1973

Number of Companies By Class	Number of Employees	Salaries & Wages	Revenue		Total Revenue	Operating Exp. (Excl. Taxes)
			Intra-State	Inter-State		
Class A: 16	6,961	\$81,048,432	\$52,110,155	\$82,974,037	\$135,084,192	\$135,480,226
Class B: 27	788	6,229,035	8,284,923	5,391,337	13,493,681	13,589,461
Class C: 207	676	7,295,757	12,064,616	4,408,317	16,472,933	15,074,123
Total 250	8,425	\$94,573,224	\$72,459,694	\$92,773,691	\$165,050,806	\$164,143,810

Source: Public Utilities Commission Records.

Another intent of the PUC legislation is to assure economic regulation for a bus transportation system under private ownership. Such economic regulation is expected to provide industry stability, supervise viable carriers, and assure consumer protection. Bus transportation is viewed as a "public utility" and in determining the basis for a rate increase it is expected that the regulatory agency (PUC) and the bus company would formulate rates based on the company's capital investment. However, over the past two decades, bus companies, unlike other public utilities—gas, telephone, and electricity—have been unable to make significant capital purchases with their own resources. Consequently, the bus transportation industry is no longer evaluated by PUC in the same manner as other public utilities. Since the early 1970's the PUC has not been able to determine or approve rate increases on the basis of either the traditional rate of return or a rate base.⁴ The PUC has attempted to approximate operating ratios, and associate fares and rates in relation to reasonable operating expenses.

In the absence of formulating a rate base, the PUC analysis is also at best only an approximation of a company's expenditures. In 1972 the State Supreme Court ruled that only calculations for a full rate of return could be used to determine fares.⁵ Consequently, PUC-approved fare increases have been granted only as a temporary measure and this has restricted the Commission's ability to regulate the economies of the bus industry.

The PUC has been recognized for its ability to formulate administrative procedures and to utilize a hearing process. However, PUC's inability to reach timely

⁴his problem was first noted in a 1950 Supreme Court case, *Public Service Coordinated Transport v. State*. The Court stated that the basis of a five to seven cent fare could not be determined in the absence of competent evidence, measuring the reasonableness of the expenses and the ratio between the income and the rate base.

⁵In re *Intrastate Industrial Sand Rates*, 66 N.J. 12 (1974).

decisions or implement abbreviated procedures for minor bus matters has weakened the agency's effectiveness in these areas and has caused serious handicaps for both riders and industry, as was clearly dramatized in the recent 1975-76 petition by DeCamp Bus Company⁶ for a fare increase.

The PUC responds to petitions, it does not initiate actions, and because it regulates or reviews each bus operator individually, the PUC is unable to ensure the coordination of service and fares. The PUC, which does not have planning capabilities, is fully aware of the problems and issues associated with the bus transportation field but, with the increasing role of DOT, the regulation and supervision of bus operations are no longer among PUC's foremost responsibilities. The primacy and leadership of the State DOT in the field of bus transportation are recognized by both the carriers and the PUC.

The State Department of Transportation (DOT)

In 1966 the Commuter Operating Agency (COA) was established in the State DOT, with the power to regulate and supervise bus service and companies. With the establishment of the DOT/COA a two tier State regulatory process slowly emerged: the PUC being responsible for the safety and health inspections of *all* bus companies but the economic regulation of *only* the unsubsidized companies; and the DOT/COA being responsible for *all* aspects of the subsidized carriers except for safety and health inspections. Since most of the major carriers are subsidized, the DOT/COA has become the primary regulatory agency.⁷

As the State's bus ridership has decreased in the face of increased automobile usage, and with the State providing increasing amounts of financial assistance for capital expenditures and subsidies for operations, the regulatory body providing this assistance has been hard pressed to carry out the traditional regulatory role of supervising the carriers' earnings. There is a growing concern that the regulatory body providing financial assistance generally promotes and encourages the service which it subsidizes, thus causing the traditional distinctions between regulation, supervision, and financial assistance to begin to blur.⁸

The ability of the Commuter Operating Agency to enunciate regulatory policy without promoting and encouraging the services which it subsidizes is a matter of serious question throughout the State. During the past two years, the issue has caused consternation among the carriers particularly in relation to the proper use of State-purchased buses for charter services. The regulation/subsidy conflict is illustrated in a very significant case presently being heard by the ICC: the request by a subsidized and unsubsidized carrier for authority to operate between the East Brunswick Transportation Center and New York City.⁹ A review of the correspondence on this case indicates limitations in the present regulatory structure and underscores the need for more attention to the quality and the nature of the service rendered.

⁶In this rate increase case, the Court needed to intercede in order for the PUC to act on the carrier's request.

⁷The COA is staffed by DOT personnel, and the COA board consists of four members: the Commissioner of DOT, the Assistant Commissioner of Public Transportation (DOT), the State Treasurer, and the President of PUC, or their respective designees.

⁸*Urban Affairs Quarterly*, June, 1973, pp. 423-438.

⁹A central issue in this case is whether the State's regulatory decisions are based on sound public policy and represent appropriate approval of the most efficient service.

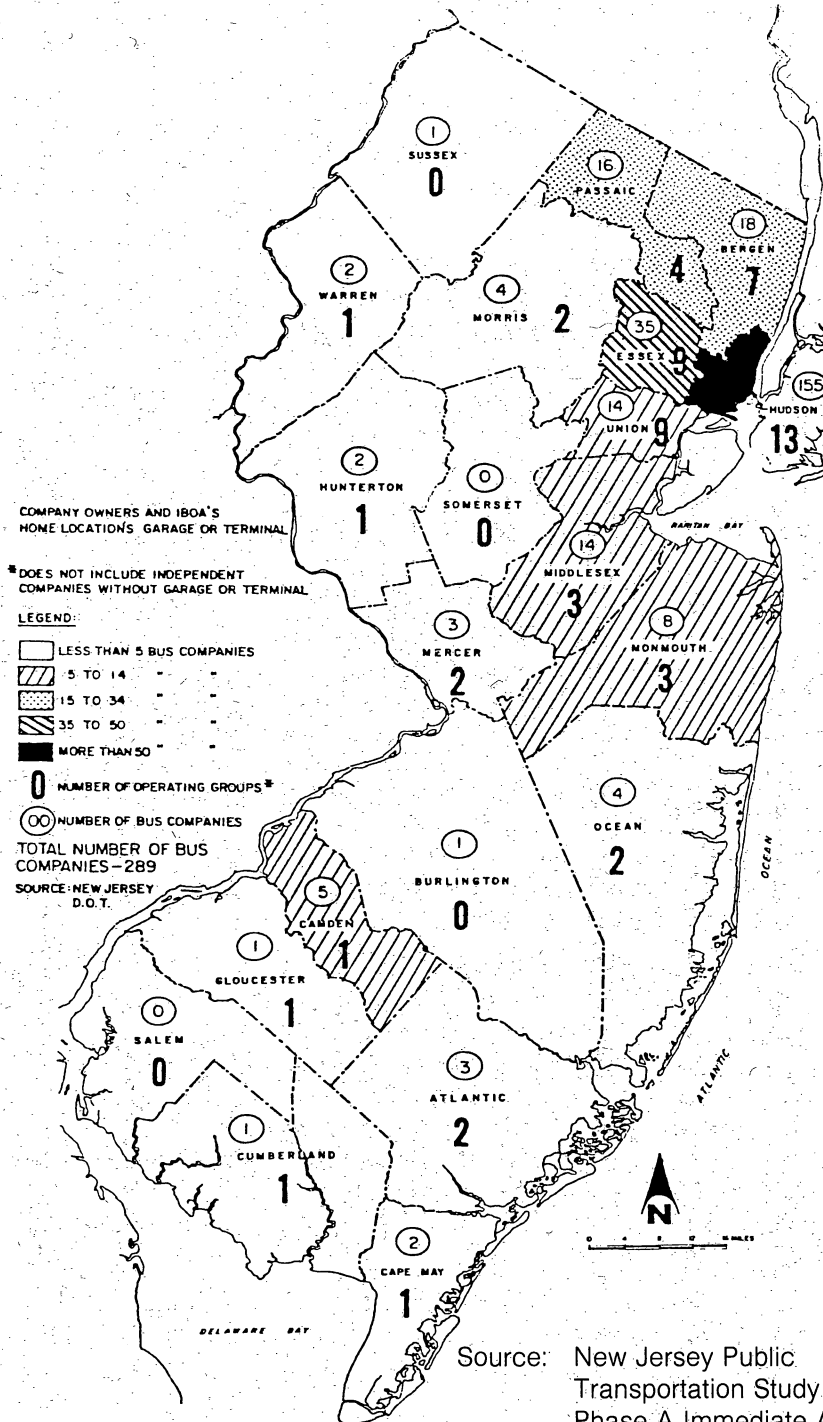
The DOT presently regulates some 25 companies and those companies provide service to between 70% and 75% of the daily bus transportation passengers in the State. The DOT personnel readily concede that the agency has not yet been able to formulate a regulatory-supervisory process with clearly understood administrative procedures. In instances when the agency concluded that it was necessary to curtail service and delete routes, according to many observers interviewed by the Commission, the agency frequently was unable to conduct the process in a manner than gained the confidence of county officials and the carriers. In 1974-1975 the State DOT/COA refused subsidy for some 12 TNJ routes and, under the statutes, the agency could have conducted the necessary public hearings to authorize discontinuing the service. However, after DOT/COA made the subsidy determination and indicated that some 12 TNJ routes would not be subsidized, it was necessary for the carrier to petition the PUC for permission to discontinue service on the unsubsidized routes. TNJ officials were highly critical of this two-tier regulatory process.

The impact of the inability of the regulatory bodies—ICC for interstate, PUC for unsubsidized intrastate, and DOT for subsidized intra-state—to formulate a consistent regulatory process and review procedure has caused disagreements among the agencies, exacerbated differences between and among the carriers, and has virtually constrained county governments and the citizens from effecting necessary change.

The Impact of the Regulatory Process Upon County Government

The oversight of the bus transportation system is frequently presented by State officials as being an insurmountable task. There are some 210 bus carriers in the State conducting regular route bus service, but with some 160 of these organized into 13 independent associations (IBOA's—Independent Bus Operators Association), there are only some 63 bus carriers to be supervised and integrated. Figure II-2 presents an overview of the number of bus companies throughout the State.

Figure II-2
An Overview of the Bus Companies in the State



Source: New Jersey Public Transportation Study
 Phase A Immediate Action Plan
 NJ DOT: March, 1974

Hudson and Essex Counties have the greatest concentration of bus companies in the State, with 26 of the 63 regular route companies and all 13 of the IBOA's doing business in the two counties. Figure II-3 indicates the number of regular route bus companies by county.

In the 1920's, as a result of the so-called "grandfather clause",¹⁰ franchises approved by municipalities prior to 1926 did not require PUC approval to be valid. Many of the small companies which exist today in Hudson and Essex Counties were approved during that time and still operate over most of the same routes. Figure II-4 indicates the number of bus companies in Hudson and Essex Counties.¹¹

For illustrative purposes, the independents of IBOA's can be assigned to three different categories. First, is the truly independent association in which franchises are individually owned, schedules coordinated, and revenue, expenses, and facilities are shared. The IBOA's in this category traverse heavily populated urban centers, are a cohesive group, pay reasonable wages, and are unionized. All interests appear to benefit from the coordination, and franchise certificates are being sold at attractive prices.

In the second category of IBOA's, which are subsidized, one operator is dominant, or owns most of the franchise rights. There are frequent disputes between the dominant carrier and the other members of the association. Only in a limited sense is there an "association". There are fare differences and the division is serious enough to have two different labor contracts with the same local and at the same scale.

The third group of IBOA's do not represent a cohesive group. These independents lack truly formal and uniform organization. They operate the same routes, have low fares, and relatively limited office facilities, and are not on subsidy.

In Hudson County, the extent of coverage by these independents leaves few people without available bus service. Competition is keen and disputes arise over who should provide the service. This is in contrast to other counties in the State where there is a need for additional coverage; Ocean County, for example, is without any viable intra-county bus transportation service.

In addition to the independents, some of the larger carriers (TNJ and DeCamp, as examples) also operate in Hudson and Essex Counties. The larger carriers compete with the independents for service—sometimes on the same route and usually at a higher fare. When some of the smaller independents observe that the larger carriers and the dominant independents receive higher salaries and benefits and also qualify for a subsidy, there is little incentive to play by the rules. Everyone is on his own in a non-regulated and non-supervised arena. **County and municipal government and the general public are relatively outside the process.** The carriers form their own interest group of spokesmen and proceed to pressure both the executive-legislative process and the two-tier regulatory system.

There are constant disputes over the subsidy issues, fare differences, transfers, zone boundaries and jurisdiction. In the heat of competition, some operators are

¹⁰New Jersey Statutes Annotated, Title 48, Public Utilities 48:2-14.

¹¹The Commission is indebted to Messrs. Sternstein and Carroll of N.J. DOT Bureau of Bus Operations for their assistance in the IBOA analysis.

Figure II-3
Regular Route Bus Companies By County, 1976

County	Companies	Independents	Components of the Independents
Atlantic	1	0	—
Bergen	7	0	—
Burlington	0	0	—
Camden	1	0	—
Cape May	1	0	—
Cumberland	1	0	—
Essex	9	5	25
Gloucester	1	0	—
Hudson	17	8	135
Hunterdon	1	0	—
Mercer	2	0	—
Middlesex	4	0	—
Monmouth	4	0	—
Morris	2	0	—
Ocean	1	0	—
Passaic	5	0	—
Salem	0	0	—
Somerset	0	0	—
Sussex	0	0	—
Union	5	0	—
Warren	1	0	—
Total	63	13	160

**Summary of Bus Companies
Classified by Type of Operation**

Category	Number of Operating Groups	Number of Companies
Common Carriers:		
Major:	50	50
IBOA's:	13	160
Subtotal:	63	210
Charter & School:	40	40
Other:	23	23
Total	126	273

Source: N.J. DOT

Figure II-4
Bus Companies in Hudson and Essex Counties

County	Total Companies*	IBOA's	Number of Companies Involved in IBOA's
Essex	9	5	25
Hudson	17	8	135
Total	26	13	160

IBOA's: Hudson County		
City	IBOA's	Companies Involved
Jersey City	2	36
Bayonne	3	62
Hoboken	1	9
North Bergen	1	10
Union City	1	18
Total	8	135

IBOA's: Essex County		
City	IBOA's	Companies Involved
Newark	3	10
Irvington	1	11
Maplewood	1	4
Total	5	25

*Includes IBOA's as one company.
Source: N.J. DOT

tempted to alter their routes to take advantage of heavier travel in one direction or another. This practice, known as "creaming", is thought to be practiced by almost every operator in the "independent" category. For example, according to PUC regulation, a company with a route franchise from Journal Square in Jersey City to some other point in Hudson County, must operate the entire route on each round trip according to the schedule filed with PUC. Some of the independents have been accusing each other of operating, during work rush hours, only as far as the city line, at which point they turn around and head back downtown, picking up the high numbers of patrons seeking service into the CBD (central business district) at the beginning of the working day. They then, supposedly, "dead head" or ride empty, as rapidly as possible back to the city line for another trip into town.

There have also been accusations of "independents" foresaking their regular routes in favor of parking outside a factory to take advantage of the volume of passengers exiting the factory at quitting time. Other operators complain that some companies are creating an atmosphere of unfair competition, necessitating a subsidy

for those who do not engage in such practice and maintain service along the entire route.

There have been disputes among operators using the loading stand at Journal Square that have sometimes flared into physical confrontation. One large independent employs "starters", or loading platform supervisors, to direct the drivers to pull out on the scheduled time in order to maintain "headways", or spacing between buses along a route. This company complains that other operators do not pull out when signalled, but rather wait until the bus is full, causing a tie-up at the stand, while its drivers pull out on command of the starter and do not wait until the bus is full.

These cases of unfair competition have been brought before the PUC which subsequently ordered all companies on a particular route to coordinate their schedules and run them without alteration. However, because there is no daily inspection and no monitoring system, the PUC is unable to assure adherence to its orders, and the situation goes unchecked until another hearing is held. The traditional regulatory tools used in the determination of routes and schedules are not likely to be of much use. Regulatory agencies have relied upon the public to observe violations of routes and schedules and report these violations to the regulatory body. The supervision and enforcement of a coordinated system of service is in the best interest of the State and its citizens and will increase operating efficiencies.

Conclusions

The State has the nation's most crowded roads and streets and has a genuine need for an integrated bus transportation system. Coping with the problems of declining ridership has been an enormously frustrating role for the regulatory agencies charged with oversight of such systems. During the past 50 years, the PUC has been pressed to regulate the carriers, when and where the carriers are unable to earn a profit in competition with a heavily funded and extremely attractive alternative form of transportation—the privately owned automobile. More recently, during the past seven years, DOT has been equally pressed to develop an integrated bus system, to control and determine service standards—routes, fares, schedules—and to provide subsidies and capital assistance.

From the county point of view, many of the problems associated with the provision of adequate bus transportation revolve around regulatory issues and supervisory objections. Regulation and monitoring have always been *State* responsibilities; counties do not have a legal responsibility in this area. Nonetheless, a few of the counties do monitor their intra-county routes—notably, Atlantic, Bergen, Mercer, Monmouth, and Morris.

The urban core counties in the northern half of the State have the most pressing problems in the regulation and supervision of routes and fares because of the multitude of operating companies with overlapping and crisscrossing routes. In the other counties the perceived deterioration of service quality has prompted concern among those who depend on the regulatory process to assure high quality, affordable bus service.

These concerns are not being satisfied because of certain inadequacies in the present regulatory process:

- The present process and procedures for establishing fares, developing

schedules, and determining routes are essentially undefined and fragmented.

- The two-tier regulatory system—PUC for unsubsidized carriers and DOT/COA for subsidized carriers—is governed by two different sets of rules and regulations.
- There is an absence of a systematic monitoring effort that assures adherence to State orders and directions. This lack of a thorough monitoring function is most critical in Essex and Hudson Counties which have the highest number of operating bus companies.

Recommendations

In order to rectify the present problems and to implement a more rational system that responds to county and municipal, as well as citizen needs and concerns, the Commission recommends:

- 1. That the State consolidate its regulatory policies and powers within a single agency—the State DOT. However, the regulatory function and related policy determinations must be conducted in such a manner as not to undermine the participation of the private sector. Although the regulatory powers need to be strengthened, the system also requires greater review and analysis by the Legislature and the public, to ensure that the regulatory unit within DOT does not promote and encourage the service which DOT subsidizes, to the exclusion and detriment of unsubsidized operations. Statutory revision should aim to establish, as a principle of sound administration, the paramount importance of competition among all carriers and the impact of agency actions on competition, and to develop procedures for enforcing adherence to this principle of competition.**
- 2. That the State DOT be mandated to institute an administrative process and procedures that represent an accountable, open, and responsive mechanism for public needs. The process and procedures should stipulate the basis, the standards, the criteria, and the considerations that would be applied by the State in all regulatory determinations.**
- 3. That the statutes be revised to enable the State to maintain primary regulatory responsibility, but that the counties be permitted to participate in the regulatory process in a complementary and supportive capacity, especially in supervising and monitoring intra-county service.**
- 4. That the statutes be revised in order to enable the State DOT to maximize service and/or minimize costs by modifying a carrier's schedules, routes, fares, and headways, in accordance with an understood and prescribed basis and plan.**
- 5. That the statutes be revised to strengthen State DOT's responsibility to rationalize bus service in accordance with county or regional needs. Counties however should participate in all matters related to bus service delivery—such as route designations, extensions, fare structures, financial determinations, and special services.**

- 6. That the State Legislature provide a reasonable amount of resources for the State DOT to fulfill its present and recommended new responsibilities in regulating bus services, and that the State DOT subject its regulatory process, procedures, and actions to an annual review by the Legislature.**

CHAPTER III

PLANNING AND FINANCIAL PROGRAMS IN BUS TRANSPORTATION

Introduction

In the planning and financial area of bus transportation, county and municipal governments are subordinate units in a process which begins at the Federal level and includes Statewide agencies and regional bodies. The Federal transportation agencies are primarily policy planning units for determining and channeling the flow of Federal funds to the states, regions, and counties. Much more important to the counties, however, are *State* policies and judgments.

The State has been able, during the past two years, to receive significantly greater amounts of Federal funds for capital and operating grants, and has made considerable efforts to support special bus services for the elderly and handicapped. Thus, counties are attuned to *both* planning and operational considerations. Many county officials are therefore concerned over the seeming lack of coordination between the planning and operational units at the State level. Moreover, the line of communications between the *bus carriers* and the State operations units seems to bypass county planning agencies, and the success of counties in implementing their own *functional* plans seems to bear little relationship to the degree of involvement by county *planning* units. These concerns, however, must be considered in the context of the planning system. Therefore, this chapter uses the Federal programs and State policies as a base to move to specifics about county participation.

The Federal Planning and Financial Programs

The Federal government has become involved in mass transportation primarily through two administrative departments of the United States Department of Transportation: the Federal Highway Administration (FHWA), and the Urban Mass Transportation Administration (UMTA), and in two distinct ways—FHWA has funded planning on an ongoing basis, using a portion of the highway trust fund while UMTA has preferred to fund each planning project separately.

Both FHWA and UMTA subject the recipients of capital funds to an annual certification of their planning process to assure that capital improvements for which Federal funds are sought are part of a continuing, coordinated, and comprehensive ("3-C") planning process.

The FHWA and UMTA have recently been able to combine their regulations into a coordinated approach, an example being the 1976 subregional planning grant of some \$625,000 in FHWA-UMTA funds to the Tri-State Regional Planning Commission. The funds are divided up among the Tri-State counties with counties providing a matching share totalling \$157,000, paid either directly or in "in kind" services. It is intended that this new procedure will allow UMTA funds to be used by counties and the State's two largest cities on a continuing basis, and to provide a stable atmosphere and eliminate uncertainties of funding planning positions, characteristic of past programs.

Figure III-1

Distribution of UMTA Planning and Implementation Grants Between NJDOT and Local Governments 1970-1976

FY	Local Planning Grants	UMTA Share	Local Implementation Grants	UMTA Share	Purpose	NJDOT Planning Projects	UMTA Share	NJDOT Implementation	UMTA Share
1970	Mercer Co. Impvmt. Auth	\$12,000	Mercer Co. Impvmt. Auth	\$1,575,000	Bus Co. Acquisition	None		None	
1972	Hackensack Meadowlands Development Commission	11,700	Haddonfield	4,524,000	DAR Demonstration	None N.J. Public Trans. Study	\$200,000	None	
1973	Hoboken Bridgewater Middlesex County Ocean County	20,000 13,300 60,000 20,000	None					None	
1974	Hackensack Meadowlands Development Commission Ocean County Somerset County Trenton	2,200 10,000 12,300 195,000	None			N.J. Public Trans. Study Commuter Trans. Services Monmouth & Ocean Cos.	333,000 92,000	None	
1975	Atlantic County Trenton TSRPC Counties Hackensack Meadowlands Development Commission Burlington & Camden	102,000 5,000 204,000 72,000 40,000	Various Agencies	585,000	Special Vehicle Purchase	Statewide Public Transportation Plng. Bayonne Peninsula Mass Transportation Study Rail Station and Bus Terminal Modern. Study Commuter Trans. Services Monmouth & Ocean Cos.	127,000 72,000 64,000 100,000	Subsidy	\$12,800,000
1976	TSRPC Counties Burlington & Camden Camden County	210,000 24,000 20,000	None			Statewide Public Transportation Planning Rail Station & Bus Terminal Modern. Study Subsidy Study	121,000 20,000 80,000	Bus Purchase Subsidy	60,000,000 21,000,000
TOTALS		\$1,033,500		\$6,683,000			\$1,209,000		\$93,800,000

Sources: N.J. DOT, TSRPC, DVRPC, UMTA.

The planning requirements of both agencies have also undergone major changes in the past two years. The joint regulations require that the counties and regions in the States produce two separate elements in their plans: 1) a Transportation Systems Management (TSM) element or an operationally oriented plan that incorporates highly specific immediate action proposals and long range needs; and, 2) a Transportation Improvement Program (TIP) element or a short range capital program to provide for implementation of the immediate action proposals. The important thrust is that proposals in both elements are to originate at the local level with control and coordination coming from an oversight body having comprehensive fiscal capabilities.

While counties may apply directly for Federal mass transportation funds for capital and planning purposes, the State and regional agencies should desirably be involved in the funding process. The counties require State support in the technical formulation of their proposals and State expertise in dealing with the Federal agencies. However, an analysis of UMTA funds for New Jersey, with the emphasis on bus transportation, indicates that many planning studies have been financed, but only a small portion was spent on implementing plans originating at the county level. Figure III-1 distinguishes between UMTA's Planning and Implementation Grants. This situation is attributable in part to the seeming lack of coordination between planning and operational functions at the State level.

From 1970 to 1975, New Jersey received some \$21.3 million in UMTA grants for bus transportation, the largest portion of this was for demonstration projects, and planning grants under sections 6 and 9, respectively, of the amended Urban Mass Transportation Act of 1964. However, the State received UMTA funds for 1976 that were some fourfold greater than the total the State had received for the previous five years. This large increase was due to the capital and operating grants received under Sections 3 and 5, respectively, of the 1964 Act. The 1976 grants have brought the State totals closer to the amounts received by similar states during the same period. Figure III-2 is a composite of UMTA Grants to New Jersey for Bus Transportation, 1970-1976.

Figure III-2

**Composite of UMTA Grants to New Jersey for
Bus Transportation, 1970-1976 (In Millions)**

FY	UMTA Section	Receiving Agency	Purpose	Amount
1970	3	MCIA	Bus Company Acquisition	1.574
	9	MCIA	Bus Study	0.012
Total 1970				1.586
1971		NO GRANTS		
1972	6	NJDOT	Haddonfield DAR	4.524
	9	TSRPC-HMDC	Transportation Study	0.0117
Total 1972				4.5357
1973	9	TSRPC-Hoboken	Bus Study	0.020
		TSRPC-Bridgewater	Transportation Study	0.0133
		TSRPC-Middlesex Co.	Bus Study	0.060

Figure III-2 (Continued)

FY	UMTA Section	Receiving Agency	Purpose	Amount
		TSRPC-Ocean County	Transportation Study	0.020
		TSRPC-NJDOT	NJ Public Trans. Study	0.200
	Total 1973			0.3133
1974	9	TSRPC-NJDOT	NJ Public Trans. Study	0.333
		TSRPC-HMDC	Transportation Study	0.0022
		TSRPC-Ocean Co.	Transportation Study	0.010
		TSRPC-Somerset Co.	Transportation Study	0.0123
		TSRPC-NJDOT	Commuter Trans. Services Monmouth/Ocean County (Bus and Rail)	0.092
		DVRPC-Trenton	CBD Mobility Study I & II	0.195
	Total 1974			0.6445
1975	5	NJDOT	Operating Subsidy	12.800
	9	Atlantic Co.	Bus Study	0.102
		DVRPC-Trenton	CBD Mobility Study I & II	0.005
		NJDOT	Statewide Public Trans. Plng	0.127
		TSRPC	Subregional Planning	0.204
		TSRPC-NJDOT	Commuter Trans. Services Monmouth/Ocean County (Bus and Rail)	0.100
		TSRPC-HMDC	Transportation Study	0.072
		TSRPC-NJDOT	Bayonne Peninsula Mass Transit Study (Bus and Rail)	0.072
		TSRPC-NJDOT	Rail Station and Bus Terminal Modernization	0.064
		DVRPC-Burl/Cam. Cos.	Bi-County Study	0.040
	16	NJDOT	Special Vehicle Purchase	0.5855
	Total 1975			14.1715
1976	3	NJDOT	New Bus Purchase	60.000
	5	NJDOT	Operating Subsidy	21.000
	9	TSRPC-NJDOT	Subsidy Study	0.080
		TSRPC-NJDOT	Rail Station and Bus Terminal Modernization	0.020
		TSRPC	Subregional Planning	0.210
		NJDOT	Statewide Public Trans. Plng.	0.121
		DVRPC-Burl/Cam. Cos.	Bi-County Study	0.024
		DVRP-Camden County	Coordinated MT System Study	0.020
	Total 1976			81.475
	Total 1970 - 1975		21.251	
	Total 1976		81.475	
	Total 1970 - 1976		102.726	

The State's Planning Programs and Efforts

The planning bureaus of NJDOT have assumed responsibility for mass transit planning efforts using FHWA/UMTA funds since DOT's inception in 1966. In June 1971, the Bureau of Common Carrier Planning was established within DOT to handle mass transit planning. One of its primary functions has been to conduct technical feasibility studies to support the implementation of comprehensive plans. The Bureau has conducted feasibility studies for non-urban counties such as Hunterdon, has participated in a study of the transportation needs of the elderly and handicapped, and is currently formulating an action plan in conjunction with Mercer County's Improvement Authority. The Bureau takes on the responsibility for planning at the request of counties which do not have the funds or staff to either hire a contract consultant or to prepare the plan themselves. The Bureau staff is also available to assist county or area agencies in completing applications for UMTA funds.

One of the major tasks the Bureau assumed was supervising the State's consultants on the \$865,000 New Jersey Public Transportation Study (NJPT) which represents the foremost planning effort by DOT in the area of bus transportation. The Study consists of a Phase A Report (Immediate Action Plan) and Phase B reports on an analysis of 5 corridors: Port Authority Transit Corporation Service Corridor; the Urban Core Corridor; the Morris-Essex-Somerset-Union Corridor; the Port Authority Trans-Hudson-Plainfield Service Corridor; and the Eastern Monmouth-Ocean-Middlesex Corridor. The NJPT Study has been presented as the key element of the State's mass transit planning efforts, giving directions and answers to the State's transportation problems, most particularly in the bus field.

There are some important by-products of the study which serve the State's planning personnel, including increased experience and capabilities of the staff, a greater understanding of the bus transportation system, and an improved State credibility with Federal agencies and strengthened eligibility for Federal funds. The State's improved position for funding has been demonstrated in the increased Federal funds for capital and operating grants; the \$60 million Federal capital grant for buses is among the largest ever granted to a state. A comparison of the objectives cited in the Phase A (Immediate Action Plan) of the NJPT Study, with the conclusions of the Phase B (corridor) reports reveals that some of the more important questions and issues identified in the first element were not adequately addressed in the second phase. Of particular importance is the development of an information system that can serve the regulatory and planning process on an ongoing basis. Also needing greater emphasis and resolutions is the issue of developing an integrated network approach in the major bus corridors. There is concern as well within the N.J. DOT that the objectives of the study have not been fully achieved. Given the scope and significance of the NJPT study, improvements of DOT's internal communications is clearly warranted, especially between planning and operational personnel in order to realize the objectives of this study.

In addition to planning for common carrier service the State has also been involved in planning for special needs. Some seven million dollars were expended during the past three years in a concerted effort to meet the needs of the elderly and the handicapped, including in 1975, an UMTA grant of \$585,500 toward the purchase of 88 vans, mini-buses and station wagons. Many of these vehicles were distributed in 1976 and the State assumed responsibility for the local matching share. These matters are of

particular importance to the counties as they attempt to define their role and move their plans and concepts into the implementation stage.

The County Planning Programs and Efforts

In the planning area, there is a substantial knowledge and experience at the county level.¹ For the northern counties in the Tri-State region (see figure III-3), the planning function is well defined. All nine N.J. counties of the Tri-State Regional Planning Area have committed staff time and funds to the regional transportation planning programs. Some of these counties, specifically Morris and Bergen, have made extensive efforts in formulating and implementing *operational* transit studies. Others, such as Middlesex and Monmouth, are moving to increase their operational planning role. The remaining counties in this region have varying degrees of capability or have stated a willingness to participate substantively in transit planning. Such planning efforts are likely to address route rationalization issues in the urban core counties of Tri-State, whereas long range planning for increasing transit needs is of greater importance in the region's suburban counties.

For the three northwestern counties (Hunterdon, Sussex, and Warren) there is little identifiable public transit need, owing to the area's scattered rural population. State DOT recently assisted Hunterdon with an assessment of its transit needs, but no such feasibility study has been undertaken for the other two counties.

The four counties in the Delaware Valley Regional Planning Area (Burlington, Camden, Gloucester, and Mercer) vary in their public transit planning approaches. Gloucester is working to increase its capability through involvement with DVRPC in its subregional transportation planning process. Burlington has been coordinating its efforts with Camden in a bi-county transportation needs study. Mercer, with the Mercer Metro System, is the only DVRPC county with complete experience in the operational planning area.

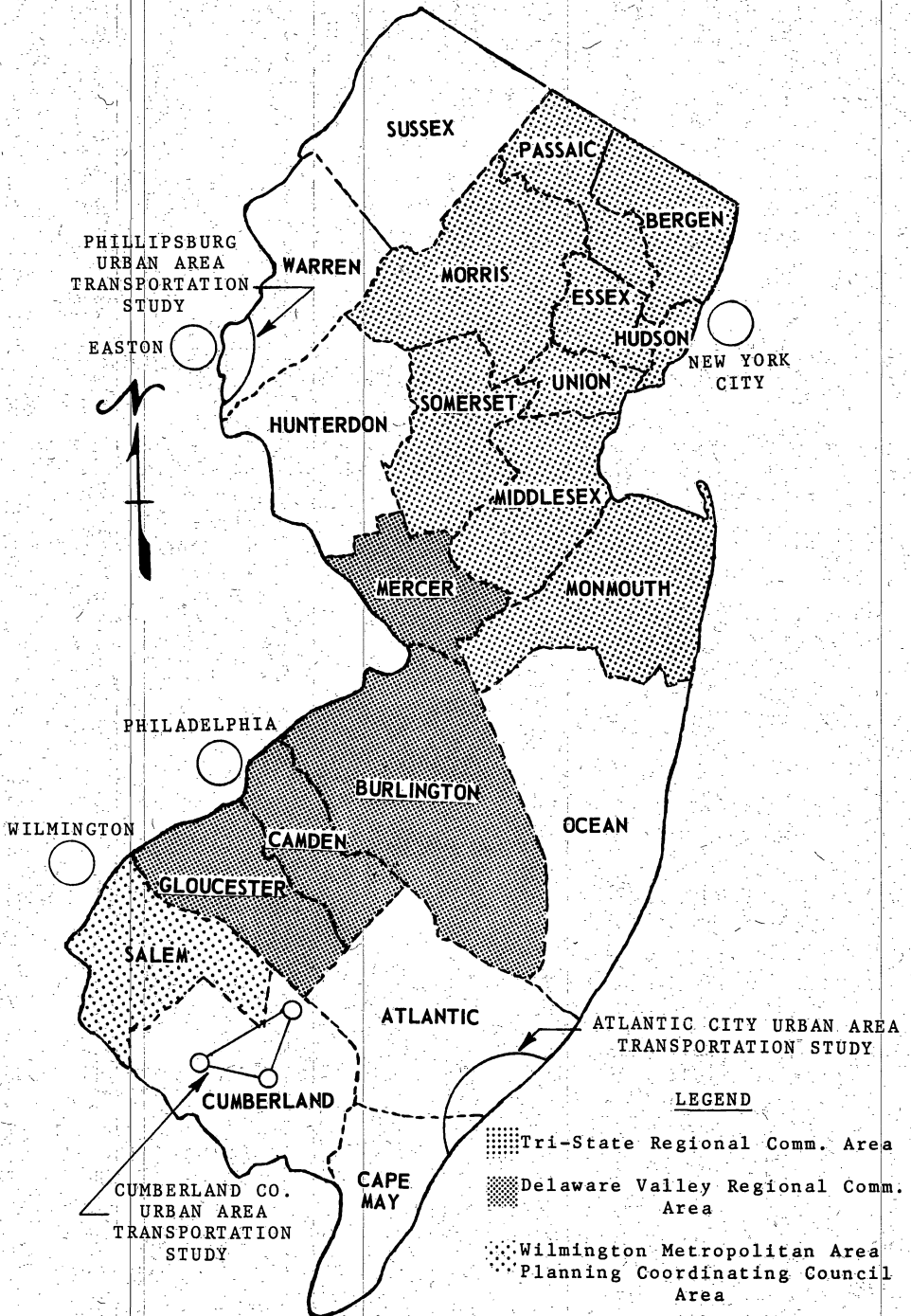
Of the three coastal counties in the southern region of the State, Ocean and Atlantic Counties have produced operational plans. In 1974, Ocean County completed a county bus plan and the county is requesting State assistance for a much needed intra-county service. Atlantic County has also prepared an extensive plan which is designed to increase ridership and minimize costs. Cape May County, while having no long-range comprehensive bus plan, has established one of the more extensive para-transit systems to serve the elderly, the handicapped, and the poor.

The remaining two counties in the southern region do not have comprehensive bus plans. Salem has been working with the State DOT to establish intra-county routes and Cumberland has been considering an UMTA study, as the Bridgeton-Vineland-Millville area is an UMTA-recognized urban area.

In summary, the majority of the Tri-State northern counties have committed their staffs to operational planning efforts and their financial resources to the subsidy program. In contrast, the three most rural northern counties do not have the same immediate needs and demands for bus service. The nine southern counties, have the capability to meet the planning needs for their respective areas. However, the absence

¹Planning, along with other county activities is discussed in greater detail in Chapter V of this report.

Figure III-3
New Jersey Transportation Study Areas



Source: Transit Development Program
 1974-1979, NJ DOT, Sept. 1, 1973.

of policy direction and an understanding of how county efforts should be integrated in a larger process and system, continues to be their foremost concern.

The Need for Coordination: A County Concern

Interviews with State and county planning personnel indicate that while the Commuter Operating Agency (DOT/COA) has been active in maintaining existing bus service and replacing older buses with Federally-supported modern units, relatively little has been done to implement other State or county planning recommendations (e.g., in route rationalization; new service needs; fare and transfer structure; and marketing issues). An attitude prevails among State and county planning personnel that unless a proposal has *operational* sponsorship at the county level it will not fare too well when financial assistance is sought through DOT.

The Morris County Board of Public Transportation, which is perceived as an operational unit, has participated in public transportation issues in the New York Metropolitan Region since the early 1960's. The Board has an established reputation and has a working relationship with the Bureau of Bus Operations. The Board is conscientious, and the County has deferred to the Board all matters related to planning for bus transportation. The Board seeks advice of the county planners but its own staff actually produces the mass transit plans for the County.

The Morris County approach is largely based on a route-by-route study. Nonetheless, with its type of operational sponsorship, Morris County has seen the establishment of new routes and extensions. Ocean and Atlantic Counties by contrast have not been able to secure support for their proposals. Ocean County's plan is a result of a 1974 UMTA planning grant, and the county views the recommendations to be essential to satisfy the service needs of a rapidly growing population. Similarly, the Atlantic County plan calls for rerouting and extending service to new population concentrations. Funds for implementation of these plans have not yet been approved, an apparent contributing factor being the absence of operational sponsorship.

Another example of an operational relationship is the one between DOT/COA and the Mercer County Improvement Authority (MCIA). Since its establishment in 1969, MCIA has been able to alter its routes almost at will, with the complete concurrence of DOT/COA. Even though the Mercer County mass transportation planning effort has been limited, and there is no overall plan to which Mercer Metro can refer for guidance in its decision making, Mercer Metro has enjoyed the freedom to implement new service through its operational association with DOT.

The evidence indicates that the DOT/COA, which controls the implementation funds, primarily defers to operational units, whether they be private carriers or public agencies. Although carriers, or agencies may arrive at their recommendations through thorough planning studies, these efforts are not prerequisite for DOT/COA funding.

The views expressed by county officials were reinforced by many of the some fifty-five local communities that were requested by the Commission to comment on the bus transportation policy process. For example, Camden, the largest city in southern New Jersey, is afforded minimal opportunity to participate in decisions affecting bus transportation services within its boundaries. In fact, the primary bus service delivery entity, TNJ, apparently has the exclusive authority to define service in Southern New Jersey. Camden officials realize that feeder routes to other transit systems are

necessary, but feel that these services should not be developed to the exclusion of dependable, flexible intra-city service.² The city noted "bus transportation can be the most effective form of public transportation in a city such as Camden."³

The feeling that State DOT/COA is more responsive to private bus carriers than to public service needs has been an impetus for some communities to participate actively in bus planning and operations. Two such communities are the Borough of Rutherford (Bergen County) and the Town of Morristown (Morris County). Rutherford has used Federal revenue sharing funds to operate a mini-bus, intra-municipal service. This has caused consternation at the State level where it is viewed as "unwarranted competition" with a subsidized bus carrier. Morristown presently operates an intra-town bus service for all citizens. There is no charge for the three morning runs and two afternoon runs. The system is funded by revenue sharing funds, and ridership on a monthly basis has increased from 3,000 in 1975 to 6,000 in 1976.

Many counties and municipalities are knowledgeable about local transit matters and, if given an opportunity, indicate a commitment to a transportation planning effort. It should be noted, however, that in some instances this commitment is evidence of a *potential* for involvement rather than a current substantive role. On their part, counties must strive to develop *formal* understanding between themselves and DOT as to the objective and procedure of the bus transportation function. The counties are obligated as well to reconcile and standardize their internal transportation policy and processes in order to facilitate an understanding by DOT on the extent and details of such county involvement.

Conclusions

Federal programs and State policies have greatly influenced the financing of bus transportation, the planning process, and the degree of cooperation and coordination among operating and planning agencies. State leadership and direction is paramount for the delineation of goals and objectives, for capitalizing on Federal programs, and for increasing understanding and participation at the regional and county level.

For the State to maximize the attainment of its planning goals, it is incumbent upon all parties involved to formalize that an integrated state-county planning process. An understanding of the county role and an ongoing county participation is essential. In New Jersey, the transportation corridors vary widely in service demands and needs. The counties are considered by most observers to be in the best position to participate in these determinations because they are close to the level at which service is delivered, and planning is one of the counties' strongest capabilities. However, some counties have been reluctant to take on major planning efforts because experience indicates that those efforts may be unproductive.

The planning function is of concern to county and local governments, as well as to riders, because in the past the lack of effective coordination at the State level between the planning and operational units has resulted in a process of nearly exclusive communication between the bus carriers and the State's operation unit, which fre-

²According to County officials, some thirty-five percent of the households in Camden do not have an automobile available to them.

³Response to Commission Questionnaires, 1976.

quently by-passed county planning agencies. While most county planning units have good relationships with DOT's planning section, many counties do not have an operational component (particularly in Southern New Jersey) through which to work with DOT's Division of Commuter Services. Thus, county planning agencies indicate that their recommendations are often not effectively reflected in the State DOT's *operational* decisions. This deficiency applies to several ingredients of transit plans—route selection, rider satisfaction, quality of service, cost levels, and ancillary land-use issues.

Recommendations

The resolution of present bus transit problems requires the recognition of county governments as important resources in formulating a strengthened planning process. The Commission therefore recommends:

- 1. That the Department of Transportation should continue to bear the main responsibility for developing statewide planning goals, policies, and programs, leading to an overall transportation plan for the State. However, DOT should formulate the goals and establish a framework which promotes and facilitates county and municipal operational planning activities.**
- 2. That as a condition for annual funding by the legislature, the State DOT be mandated to formulate, and update bi-annually, a State transportation plan encompassing a network system for each of the major bus corridors, and a rational basis for making necessary alterations and adding required new services.**
- 3. That the statutes mandate a level and quality of bus service, based upon a mutual State-county determination of service needs and the most appropriate manner for achieving such services. County officials should be involved in all planning programs and proposals associated with their communities.**
- 4. That, in general, the State be responsible for planning and supervising the interstate routes and assume the duties of coordinating the inter-county routes and the linkages between the State's principal urban areas.**
- 5. That, in general, the counties should be responsible for planning and supervision of all intra-county services and local routes. The planning process should be so structured that the issues can be formulated and initiated from the bottom up, as well as from the top down to assure proper adherence to policy priorities and funding constraints.**
- 6. That the State DOT should integrate its bus transportation staff within the department, and it should reinforce its capability to manage, supervise, and plan a State-wide system. Also, the counties should be actively encouraged and supported by the Federal-State grant process in their efforts to be responsible for their transportation planning. It is important that the counties play an integral role and not be an optional appendage.**

CHAPTER IV

THE BUS SUBSIDY PROGRAM

Introduction

In 1969 the State initiated a bus subsidy program,¹ which authorizes DOT/COA to contract with any bus carrier operating bus service in the State, if said carrier is in imminent danger of terminating service and if that service is considered essential. Under the subsidy program the State determines what bus service is essential and if a carrier needs financial assistance to provide such service. The subsidy program was intended as a temporary measure, serving only until a master plan for bus transportation was developed. But the expectations for coordination in the planning and regulatory process have not materialized.

There is general agreement that the State of New Jersey should support those carriers that are able to deliver convenient, efficient, and effective bus services. These goals and the complementary objectives of energy conservation, sound land-use planning, and reasonable opportunities for jobs and social services justify prudent State financial support to deserving carriers. Although counties have collectively contributed over \$10 million to the bus transportation program, most counties are reluctant to continue or expand their contribution to a subsidy program, which has grown to the present annual level of \$38 million. Such county attitudes are related to *their* perception of the deficiencies in the allocation process—its rationale, procedures and benefits to their constituents.

County Participation in the Bus Subsidy Program

The State's present subsidy program is based upon a 75% State - 25% County contribution. Under New Jersey statutes counties may be requested by DOT/COA to contribute to the program—it is not mandatory²—and a number of counties have not found it to their best interest to participate.³ However, some counties have made a considerable financial commitment to public bus transportation, notably, Atlantic, Bergen, Mercer, Monmouth, Morris and Passaic Counties.

Bergen County has taken a more direct approach to bus transportation than most other counties in the State. The County has an active Board of Transportation with knowledgeable personnel in the field of bus operations. Since 1970, the county has established some twenty new bus routes/services, and is responsible for funding, route planning, scheduling, fares, the supervision of operations, and marketing and publicity efforts, including the distribution of schedules, and a 24-hour telephone information

¹Pursuant to the Transportation Act of 1966 as amended.

²In this matter, the N.J. Statutes have been interpreted differently by different individuals. The relevant statute (27:1A-28.5) reads as follows: "...As a condition for entering into an agreement authorized by the provisions of this act the department may require the county or counties or public agency thereof in which such essential services are to be provided to enter into an agreement to reimburse the department for not less than 25% of the cost of providing such passenger service."

³A listing of all subsidized carriers, 1970 - 1976, appears in Figure IV-2.

service. From 1971 to 1976 Bergen contributed over \$600,000 to the bus subsidy program.

Mercer County has been the most active county in the subsidy program, investing more of its money than any other county in developing an intra-county bus system. The Mercer County Improvement Authority (MCI) is the only county level agency in New Jersey which owns and operates a bus system. The Authority assumed ownership of the Capital Transit Company in 1968, and the county paid its first subsidy of some \$60,000 in 1969. The Mercer Metro Division of the Improvement Authority now operates scheduled service on 14 regular bus routes and the County subsidy was \$1,452,712 in 1975. Twelve of the 14 bus routes are intra-county with nine of them converging on Trenton's central business district. Two routes have terminal points outside of the county: one to Fort Dix and the other to Asbury Park. In the city of Trenton, almost all major points are within a quarter mile of a bus route. In 1976 Mercer Metro owned 79 buses with the average age of the fleet being 14-15 years. The Authority has received 17 new buses from the Department of Transportation to replace some of the old equipment. The county has also applied to UMTA for a capital grant to purchase 20 new buses to increase fleet size to 99.

Figure IV-1
Comparative Analysis of the 12 Largest Carriers, 1971 - 1975

Carrier	1971 Regular Route Passengers	1975 Regular Route Passengers	% Change	Total State Subsidy FY 1971-1975
Mercer Metro	5,172,135	5,968,898	+16%	\$ 2,027,711
Suburban	3,027,369	3,525,642	+16%	—
Hudson Transit	2,297,867	2,487,689	+ 8%	—
Rockland	7,282,662	7,253,929	0	46,000
De Camp	5,124,357	4,717,048	- 8%	484,920
Manhattan	4,032,977	3,689,077	- 9%	—
Maplewood (1973-1975)	10,383,747	9,140,122	-12%	128,000
Somerset	3,363,517	2,800,129	-17%	1,255,645
Hudson Bus	4,012,112	3,080,870	-23%	402,251
NY-K-LB	1,074,756	820,435	-21%	484,394
TNJ	158,386,977	111,174,278	-30%	30,253,461
Lincoln	2,213,134	1,352,835	-39%	101,166

Source: Statistics Based on an Analysis of Carrier Submitted PUC Reports.

Figure IV-2

Assistance Payments to Bus Operators Under Contract
For Fiscal Years 1970 - 1976 (Adjusted)

	FY 1970	FY 1971	FY 1972	FY 1973	FY 1974	FY 1975	FY 1976
Albert F. Bauer	\$ —	\$ —	\$ —	\$ —	\$ 32,354	\$ —	\$ —
Asbury Pk.-New York Trans. Corp.	—	—	—	90,000	150,000	485,724	439,928
Associated Bus Company	—	—	51,710	79,000	129,355	213,770	262,015
Atlantic City Trans. Co.	221,666	232,000	312,206	357,500	570,000	720,437	870,743
Baram/Rex	—	—	—	—	—	169,582	132,150
Blue & White Bus Co.	—	—	—	—	—	89,088	83,028
Boro Busses Company	—	48,885	150,000	176,000	266,640	334,595	500,818
Coast Cities Coaches, Inc.	52,996	110,690	144,000	180,000	224,078	288,271	315,775
Community Bus Lines	—	120,000	129,000	154,000	190,000	443,397	435,076
DeCamp Bus Lines	—	—	—	—	—	484,920	122,561
Dover-Mt. Hope- Picatinny Bus Lines	11,525	47,477	—	—	—	—	—
Drogin Bus Company	—	—	—	—	—	187,842	426,704
Garden State Coachways	—	—	—	27,600	85,885	82,585	44,255
Garfield & Passaic Trans. Co.	—	16,000	68,000	88,781	135,100	182,507	213,060
Garfield-Passaic Bus Co.	—	26,159	32,000	37,000	50,000	—	—
Hudson Bus Trans. Co.	—	—	—	—	78,620	323,631	553,523

	FY 1970	FY 1971	FY 1972	FY 1973	FY 0974	FY 1975	FY 1976
Inter City Group	\$ —	\$ 200,000	\$ 330,000	\$ —	\$ —	\$ —	\$ —
Jersey Bus, Inc. ¹	—	—	48,000	120,000	180,000	300,205	361,200
Lincoln Transit	—	—	—	—	—	202,332	807,820
Manhattan Transit Co.	—	—	—	—	—	—	1,037,021
Maplewood Equip. Co.	—	—	—	—	—	128,000	665,000
Marathon/Bayview/Amboy Coach	5,557	50,000	50,000	68,000	182,000	325,748	362,275
Mercer Metro	124,999	100,000	100,000	100,000	150,000	1,452,712	1,743,254
Middlesex Bus Co.	—	—	—	—	—	9,669	56,648
New York/Keansburg/ Long Branch Bus Co.	—	—	—	—	99,364	325,030	540,272
North Boulevard Trans. Co.	—	—	—	—	—	136,992	110,615
Passaic-Athenia Bus Co.	—	—	20,200	75,000	108,346	149,651	236,886
Plainfield Transit	—	23,811	30,776	36,568	58,891	90,696	111,068
Rockland Coaches, Inc.	—	—	—	6,000	40,000	—	—
Somerset Bus Company	—	—	—	46,115	300,000	909,530	1,129,891
Summit/New Providence Bus Trackless Transit & Mt. Coaches & Graope Trans.	24,615	46,721	48,000	—	—	—	—
	48,358	37,729	55,000	139,750	221,718	588,632	644,917
Transport of New Jersey	41,667	115,741	252,660	2,370,000	8,225,521	19,247,872	27,470,600
Watchung Mt. Transit ²	—	—	—	67,250	68,021	80,337	97,386
Totals	\$ 531,383	\$ 1,175,213	\$ 1,821,552	\$ 4,218,564	\$ 11,545,893	\$ 27,954,025	\$ 39,774,489

Notes: 1 Formerly known as Dover-Mt. Hope-Picatinny Bus Lines

2 Successor to Summit-New Providence Bus Lines

Source: N.J. DOT

Of all major bus carriers in the State, Mercer Metro is the only subsidized carrier that has been able to increase the number of passengers served. A comparative analysis of the 12 largest carriers during the 1971-1975 period (see Figure IV-1), indicates that Mercer Metro carried 800,000 more passengers in 1975 than in 1971. Mercer Metro has not changed its fare structure since the County took over the system in 1969. The County Authority has experimented with new service a number of times—summer season service to Great Adventure park and, in 1976, a temporary service to Washington Crossing State Park—and has also tried regular route service to apartment complexes occupied predominately by the elderly. This 'closed door' service to shopping centers is a "pay as you go" charter operation, and is a relatively successful venture.

During the 1971-1975 period, Mercer Metro has expanded its route miles, reaching further throughout the county with its service. As measured by such criteria as passengers per mile and passengers per trip, ridership increased by some 25%. However, based upon the same criteria, the Mercer Metro system has not received proportionately the State assistance given most of the other carriers.⁴ For example, Atlantic City Transportation Company (ACTC), a comparable type of operation but smaller than Mercer Metro, received more State assistance from 1971 to 1975. Atlantic City Transportation Company, with some 2 million fewer regular passengers (annually), received \$2,413,809 to Mercer Metro's \$2,027,711 for the 5 year period. The following FY 1976 comparison of Mercer Metro and ACTC (Figure IV-3) indicates the relative differences in revenue, operating costs, passengers, and miles:

Figure IV-3
Comparative Profile—Atlantic City Transit & Mercer Metro

Carrier	Regular Route Revenue	Total Operating Costs	Regular Route Passengers	Regular Route Miles
Atlantic City Trans. Co.	\$1,198,835	\$2,229,488	3,600,000	1,370,000
Mercer Metro	\$1,648,000	\$4,679,206	5,500,000	3,060,000

Source: State DOT and PUC Files and Reports.

Of the southern counties, Atlantic County has been the primary contributor to the subsidy program. Since the beginning of the subsidy program, Atlantic County has regularly contributed its 25% share of the subsidized costs for ACTC. The initial (1970) ACTC subsidy of \$221,666 has increased to \$870,745 for FY 1976 and State DOT estimates for FY 1977 indicate a one million dollar subsidy. *This nearly five fold subsidy increase is of paramount county concern because there have been no major changes in service (routes and schedules) during those years to keep pace with population movements and developments.*⁵ Although they have contributed their share to the

⁴Prior to 1974 Mercer Metro's subsidy was limited to \$100,000 per year as a matter of State policy. A recognition of the inequity of this policy caused DOT to lift the cap in that year. The county run system now receives subsidy on the same basis as all other carriers.

⁵It should be realized that there is a fundamental difference between increased costs and increased subsidies. Frequently, the carriers have been able to obfuscate the reasons and basis for increased costs, as this Chapter notes, thus causing an increase in subsidies.

operating subsidy of ACTC, Atlantic County officials have stressed their inability to exercise greater influence over public transportation within their own jurisdiction. A primary concern of these officials is the very existence of bus transportation in the Atlantic City area, as well as the quality of services provided to the county's residents.

Determining a County Subsidy: A Case Study

Under the present subsidy program, the State computes the subsidy needed for each company that requests financial assistance, and apportions the 25% county share among the counties receiving the company's service. Since TNJ has some form of service in 20 of the 21 counties, this means that each county receives an annual subsidy bill. According to the State, within 60 days of the effective date of a contract for service, the county (or counties) through which the service operates, may reach agreement with the DOT to assume no less than 25% of the net contract service costs.

The manner of determining the nature and cost of the bus service is important to many of the counties, and the difficulty in substantiating and distinguishing between inter-state, intrastate, and intracounty bus service costs has been a major reason for the reluctance of many of the urbanized counties to participate in the subsidy program. In response to these concerns the Commission staff selected Transport of New Jersey (TNJ) and Essex County for review and analysis since TNJ is the largest carrier in the State, receives the highest dollar subsidy (some \$26 million in 1976), and has a high portion of intra-state bus service (nearly 50%). Under the present State formula, Essex County is requested to contribute approximately one-third of the 25% county share of TNJ's subsidy since about one-third of all TNJ's route miles are in Essex County. The County's contribution to the subsidy program has been limited.

A detailed analysis of TNJ data presented to the State DOT, PUC, and the Commission, seems to confirm the position of many county and local officials and legislators—that the present basis for allocating the subsidy is not an accurate reflection of revenue and costs and service rendered. Transport of New Jersey breaks down its regular route service⁶ into three categories: transit or urbanized; suburban or commuter; and feeder, or the South Jersey routes that feed the Port Authority Transit Corporation (PATCO) system. TNJ's reported 1975 revenue and estimated direct costs (Figure IV-4) for each of these three categories of service is as follows:

Figure IV-4
TNJ's Estimated Revenue and Direct Costs, 1975

Service	Revenue	Est. Direct Costs	Revenue to Direct Costs
Transit	\$28,146,949	\$26,347,511	\$1,799,483
Suburban	28,034,875	27,355,177	679,702
Feeder	3,721,227	6,233,032	(2,511,805)

Source: TNJ reports and data furnished to State DOT, PUC, and the Commission.

⁶Regular route services are eligible for subsidy as opposed to charter and special services which are not legally eligible for a subsidy.

This 1975 data, which was furnished by TNJ and is further developed in Figure IV-5, clearly indicates that statewide transit operations in relation to suburban and feeder operations, are in better position to meet their *direct costs*.⁷ For 1975, the TNJ fare box revenue for the transit and suburban services (84% of total revenue) was essentially able to meet the direct line expenses on those routes—which carried 89% of TNJ's passengers. In the absence of being able to obtain the revenue and costs derived from charter and special services, it is not possible to determine the *indirect costs*. These indirect costs, which are a necessary part of the total costs, are a matter of controversy.⁸ It is TNJ's position that there is no equitable method of apportioning overhead expenses to each line or service. In 1975, the overhead expenses were approximately \$2.9 million for the feeder routes, \$11.6 million for suburban routes, and \$12.8 million for transit operations. The estimated indirect or overhead costs of \$27.3 million was approximately equal to TNJ's FY 1976 subsidy of \$27.47 million.

Figure IV-5
Comparison of TNJ's 1975 Transit, Suburban, Feeder, and Charter Routes

	Revenue	Estimated Direct Cost	Excess Revenue to Direct Cost	Bus Trips	Passengers Carried	Service Miles	Hours
Transit	\$28,146,949 (42%)	\$26,347,511	\$1,799,483	1,121,252 (56%)	74,056,299 (63%)	20,167,153 (32%)	1,977,372 (45%)
Suburban	\$28,034,875 (42%)	\$27,355,177	\$ 679,702	636,797 (32%)	30,137,141 (26%)	30,386,019 (49%)	1,617,839 (37%)
Feeder	\$ 3,721,227 (6%)	\$ 6,233,032	\$(2,511,805)	183,953 (9%)	6,980,838 (6%)	6,321,452 (10%)	416,341 (9%)
Charter/ Special	\$ 6,719,450 (10%)	N/A	N/A	59,350 (3%)	5,515,318 (5%)	5,607,068 (9%)	381,304 (9%)

Source: Transport of New Jersey Reports to State DOT, PUC, and the Commission.

An analysis of TNJ's *intra-county*⁹ routes in Essex County (Figure IV-6) indicates that TNJ's 1975 transit or urban operations accounted for some 47% of the Company's regular route revenues (transit, suburban, and feeder), and Essex County's 23 intra-county routes represented 30% of all passengers carried by TNJ in 1975, and more than 20% of all TNJ's regular route revenue. The 1975 revenue on these 23 intra-county routes amounted to \$12,467,270 and the *direct costs* for these routes was \$10,268,483 leaving a difference of \$2,198,787. This difference, plus revenues from the Senior Citizen Reduced Fare Program would probably absorb the necessary indirect costs, generally approximating about 20% of total costs.

⁷As presented by TNJ to the State DOT, direct costs reflect driver wages and benefits; fuel and oil; tires and tubes; repairs to and servicing of equipment; city, state, and federal taxes and tolls and commissions.

⁸In analyzing total costs (direct and indirect), it seems that the direct line expenses (or direct costs) represent some 80% of the total costs, based upon an analysis of TNJ's expenses, and the fact that wages and benefits alone represent some 65% of TNJ's total costs. Discussions with operations personnel indicate that this 80% figure is a generally accepted rule of thumb throughout the bus industry. It is further supported in testimony before the State Legislature's Transportation Committee by the owner of Rockland Coaches and Hudson Bus, who stated that wages, fringes, and related taxes actually do account for about 80% of the total cost of his operation.

⁹With the assistance of TNJ, the Commission analyzed TNJ's intra-county routes in Essex County—those routes in which both terminal points were within the county.

Figure IV-6

An Analysis of TNJ's Essex Intra-County Transit Routes - 1975

Category	All Regular Routes	Transit or Urbanized Routes†	Essex Intra-County Transit Routes†
Route Revenue	\$ 60,457,520	\$28,146,949 (47%)	\$12,467,270 (21%)
Estimated District Costs	\$ 59,935,720	\$26,347,511 (44%)	\$10,268,483 (17%)
Excess Revenue/			
Direct Costs	\$ 521,800	\$ 1,799,483	\$ 2,198,787
Bus Trips	1,995,352	1,121,252 (56%)	501,645 (25%)
Passengers Carried	116,689,596	74,056,299 (63%)	34,809,329 (30%)
Service Miles	62,543,984	20,167,153 (32%)	7,392,411 (12%)
Hours	4,011,552	1,977,372 (49%)	796,465 (20%)

†Figures in parentheses are percentages of the column "All Regular Routes".

Source: Transport of New Jersey's Reports to State DOT, PUC, and the Commission.

The significance of this analysis is that for a large portion of the transit routes, the revenue collected is essentially able to cover the direct costs associated with those routes, and probably the indirect costs as well.¹⁰

The primary point emerging from this examination is the need for a State mandated separation by all companies of their direct and indirect costs for each and every type of service and route, *thereby enabling county and local officials to associate revenue and direct costs on a route by route basis, if necessary.* This would facilitate the evaluation of both the scope of service rendered and *the basis for apportioning the subsidy.* It would also be useful in ascertaining the *indirect costs* which are a matter of considerable dispute and controversy among State and carrier officials. With this information, officials would be in a better position to evaluate ways and means for consolidation and integration of service.

Concerns of The Counties

In Fiscal Year 1970, the subsidy program was \$531,383 and in FY 1973 it was \$4,218,564. As the premises and assumptions for policy were developed, the subsidy went from \$11.5 million in FY 1974, to \$27.6 million in FY 1975, and \$38.4 million in FY 1976.

When the subsidy program began, subsidies were provided on an individual route or line basis. In the early 1970's, a new policy was adopted to permit subsidies of the "audited" difference between revenues and expenses on a company basis. From all considerations it appears that the continuation of this policy has not been in the best interests of the State, although the need to assist TNJ was apparently very valid at the time.

¹⁰TNJ is the largest carrier in the State, has the highest labor costs, and has some of the best array of management talent of any company in the State.

This "company auditing" approach enables the companies to deal with the State from a relative position of strength and forces the State to respond from a position of weakness.¹¹ The State DOT has limited resources in the areas of auditing and accounting. The focus has become one of 'bottom line' figures and frequently there is little confidence in the integrity of the figures. Moreover, concentration on the 'bottom line' difference has deemphasized the need to separate the costs and revenue on a route-by-route basis; the differences between direct and indirect costs; and the expenses associated with regular service, charter service and special service.

One of the premises or assumptions of the policy decision to subsidize on a company basis, rather than on a line-by-line basis, was that charter and special services are profitable for the carriers, and would probably offset the deficits of regular route service. However, the evidence indicates that in a significant number of cases, charter and special revenues apparently do not offset the losses of regular route service. If anything, the State and counties are asked to subsidize charter service, which is not allowable under the present statutes. State DOT records indicate that one carrier, which serves segments of Monmouth County, with some 75% of its total revenue from charter service, is receiving a subsidy for its regular service that is 60% greater than its regular route revenue. This proportion is considered inordinately high, but it is difficult to verify since a carrier is not required to separate charter and special expenses from regular route expenses. As Figure IV-7 indicates, the State data reveals the following:

Figure IV-7
State Operating Data for Boro Buses - FY 1976

	Revenue		Passengers		Miles	
Regular Routes (%)	\$ 312,262	(25%)	700,000	(76%)	547,207	(39%)
Charter Routes(%)	940,519	(75%)	219,999	(24%)	853,996	(61%)
Totals	1,252,781		919,999		1,401,203	
Total Operating Costs	\$1,795,048					
Total Operating Revenue	1,251,740					
Difference	(543,308)					
Subsidy \$500,818 or 60% greater than route revenue.						

Source: State DOT reports and files.

¹¹For example, while DOT does not allow depreciation of capital equipment and property to be included as cost for subsidy purposes, some carriers have been able to recover depreciation costs by charging relatively high rents for garages and equipment between themselves and affiliate companies. Rents are allowable subsidy expenses. At the same time, the companies attempt to justify the "bottom line" deficit by certain other factors such as loss of ridership or low fares. In the absence of a route-by-route analysis of revenue and cost, DOT is in no position to dispute this contention; thus the companies have a significant advantage in the subsidy determination process.

An often repeated concern of the counties is the need to determine the costs of service and the elements that constitute a deficit. As an example of this county concern, the Commission reviewed the PUC reports of two of Suburban Transit's affiliate companies—Middlesex Bus Company and Plainfield Transit. Suburban Transit is considered by many observers to be a model of a well-run company, with increasing ridership and profitable operations. The President of Suburban Transit is also the President of Middlesex Bus Company and the Vice-President of Plainfield Transit.

As the following state figures indicate (Figure IV-8), Plainfield Transit received its first subsidy in FY 1971 and Middlesex Bus Co. received its first subsidy in FY 1975:

Figure IV-8

Subsidy History: Plainfield Transit & Middlesex Bus Co.

	FY 1971	FY 1972	FY 1973	FY 1974	FY 1975	FY 1976
Plainfield Transit	\$23,811	30,776	36,568	58,891	90,696	111,068
Middlesex Bus Co. \$	—	—	—	—	9,669	70,663

Source: State DOT and PUC Reports.

In reviewing the PUC records, it is noted that a primary source of income for Middlesex Bus Co.—that of school contract service—was apparently removed from the company's pool of income sources. In the early 1970's, Middlesex Bus had substantial school contract revenues. As the PUC documents demonstrate, (Figure IV-9) after 1973, per hour school contract service, which increased nearly fourfold, was deleted from Middlesex Bus Company's reports:

Figure IV-9

Revenue Service History: Middlesex Bus Company

	1971	1973	1975
Regular Route Revenue Per Regular Service Hour	\$ 6.79	8.08	8.05
School Revenue Per School Service Hour	\$18.15	69.33	—

Source: PUC Reports.

As Figure IV-8 indicates, Middlesex Bus Company received its first subsidy in 1975 and it increased some eightfold in 1976, and as shown in Figure IV-9, Middlesex Bus Company ceased reporting as a source of revenue, the lucrative school revenue. Significantly, from 1971 to 1975, the Company's operating revenues decreased by some 47%, while administrative costs were increasing by some 11%. Generally, the counties receive a request for county support without the necessary back up material or supporting evidence. The fact that Middlesex Bus Company had altered its sources of revenue was not made known to the county in the request for subsidy.

Frequently, a determination of the basis for costs and expenditures necessitates a close, comparative analysis of PUC and DOT reports for intra-state service and ICC reports for interstate service. *Under the present system, it is very difficult to know the degree to which operating deficits are based on or caused by managerial decisions, market conditions, service routes, inflation, insufficient personnel, or a number of other*

factors.¹² Again, this demonstrates the need for a verifiable information system, a coordinated regulatory-planning process, and improved accounting and auditing procedures and approaches.

Figure IV-10

A Comparative Analysis of Wages to Total Costs - Major Carriers

Subsidized Companies (3 of the 12 largest)

Company	Year	Wages	Total Expenses	Wages as a % of Total Expenses
TNJ	1973	\$48,319,924	\$77,325,144	62%
	1975	59,496,128	92,569,933	64%
Maplewood	1973	5,681,165	9,845,238	58%
	1975	6,150,625	10,320,571	60%
Mercer Metro	1973	1,894,728	2,930,887	65%
	1975	2,295,550	3,739,081	61%

Unsubsidized Companies (2 of the 12 largest)

Company	Year	Wages	Total Expenses	Wages as a % of Total Expenses
Hudson Transit	1973	\$ 2,714,514	\$ 7,528,239	36%
	1975	3,457,516	8,806,663	39%
Suburban	1973	2,138,454	4,804,250	45%
	1975	2,724,827	5,779,234	47%

Subsidized & Unsubsidized Companies - Common Ownership (2 of the 12 largest)

Company	Year	Wages	Total Expenses	Wages as a % of Total Expenses
Hudson Bus (subsidized)	1973	\$ 1,671,395	\$ 2,730,084	61%
	1975	1,929,861	3,257,689	59%
Rockland Coaches (unsubsidized)	1973	4,221,979	7,866,471	54%
	1975	4,407,046	9,076,137	49%

Subsidized & Unsubsidized Companies - Affiliate Companies & Owners

Company	Year	Wages	Total Expenses	Wages as a % of Total Expenses
Middlesex (subsidized)	1973	\$ 79,167	\$ 150,515	53%
	1975	216,397	389,977	55%
Suburban (unsubsidized)	1973	2,138,454	4,804,250	45%
	1975	2,724,827	5,779,234	47%

(Note: - Somerset Bus Co. and Manhattan Transit are the only major subsidized carriers in which wages represented less than 50% of the total expenses)

Source: Statistics Based Upon an Analysis of Carrier Submitted PUC Reports.

¹²A comparative analysis of wages to total costs for some of the major carriers is presented in Figure IV-10.

Conclusions

Broadly speaking, the present crisis with regard to New Jersey's seven year old bus subsidy program is merely a reflection of more wide ranging problems with regard to the planning and regulation (supervision) of bus service in the State. Present decisions concerning subsidy amounts are based upon inadequate data. The carriers have been able to obfuscate the reasons behind their operating deficits to such an extent that DOT and the counties are frequently unable to determine what the State is receiving in return for its subsidy dollar. The State has been unable to control the magnitude of the subsidy program. The inability to distinguish increased costs from increased subsidy has resulted in an adversary position between the State and the counties.

The deficit-ridden picture of bus transportation nationwide is well known and documented. New Jersey's bus system is no exception, and the need for subsidy is indisputable if the State is to continue to enjoy this extensive public service. However, governmental agencies and private bus operators must be held strictly accountable whenever large public expenditures are involved, such as in the subsidy program. While the restructuring of the subsidy program is desperately needed, concurrent action must be taken to improve the regulatory and planning processes as well. These three areas are inseparable, and piecemeal improvement efforts would be inadequate and inappropriate.

Recommendations

To address the outstanding problems and issues confronting the subsidy program, the Commission recommends:

- 1. that (since only the State has the resources and mandate to review and analyze the costs associated with a carrier's service, and since the State has in actuality been the primary provider of the subsidy) the State assume responsibility for any and all operating subsidies that are needed to sustain a basic level of service that has been mutually determined by the State and the counties;**
- 2. that the overall bus transportation management process should incorporate, the county in a supportive or complimentary capacity. Specifically, depending upon the cost of the base level plan, the counties should have an option of either contributing to the overall level of service desired by the county (including its operational, regulatory and planning components), or of assuming a necessary complementary responsibility for purchasing those services not included in the basic plan;**
- 3. that incentive programs for participating in the planning process be developed to elicit not only county route plans but a wide range of necessary data on consumer attitudes, quality of services and related issues;**
- 4. that as a condition for annual funding, the State DOT be mandated to institute rigorous criteria and standards for subsidy and capital programs. Also DOT should develop an information and accounting system**

that will assure uniform determinations based upon an analysis of the associated revenue and costs on a route-by-route basis, and will also assure effective management controls;

5. that the enabling legislation empowering the DOT to accomplish the stated objectives be clear and very specific, particularly in terms of goals, criteria, and responsibility for State action with the carriers, and that the State's subsidy and carrier evaluations and procedures be subject to an annual review and analysis by the Legislature's Office of Fiscal Affairs;
6. that the State conduct an on-going, but at least an annual, evaluation of all carriers as a basis for the carrier's continued certification to meet the public's needs, and that such an evaluation shall indicate the capability and resources of the carrier as a sound business concern and in terms of such factors as personnel qualifications, and management and fiscal controls;
7. that if any carrier, after having received a reasonable and recognized amount of assistance, is unable to deliver efficient and effective service, the State reserves the right, based upon evidence and public hearings, to transfer a carrier's route(s) to another carrier or to a management company;
8. that, in the event other counties (in addition to Mercer) decide to operate common carrier service, the following options should be established:
 - a. counties should be empowered to operate common carrier service through a county improvement authority, or
 - b. counties should be empowered to operate the service with full responsibility for ownership (as a department of county government); or
 - c. counties should be empowered to establish multi-county transportation agencies having operation powers only.

Under each of these options the regional agencies should rely upon income from the fare box, from State subsidies under the 'base level plan' and from such additional appropriation as will be made available for services provided above the basic plan. In addition, purchase-of-service agreements should be permitted under each of the regional options in which a county having such agency may contract to provide services to a neighboring county.

CHAPTER V

AN OVERVIEW OF THE COUNTY ROLE IN BUS TRANSPORTATION

Introduction

Although the counties play a secondary role to the State, the Commission's findings indicate that the counties have been playing an important part in the provision of bus transportation. To afford a greater understanding of this role, an analysis of current county activities was undertaken for each of the major component areas of bus service: planning, finance (subsidy), regulation and supervision, and, where applicable, operations. This assessment, which was based upon questionnaires and interviews with county officials, was then aggregated in terms of four geographical areas: (See Figure V-1.)

- I. The nine counties in the northern region of the State, comprising the New Jersey portion of the Tri-State Regional Planning Area.
- II. The three remaining counties in the northern region—counties outside the Tri-State Area.
- III. The four counties in the southern region comprising the New Jersey portion of the Delaware Valley Regional Planning Area.
- IV. The five remaining counties in the southern region—counties outside both the Tri-State and Delaware Valley Areas.

Following is a narrative and tabular summary of county roles in bus transportation for each of the four geographical areas.

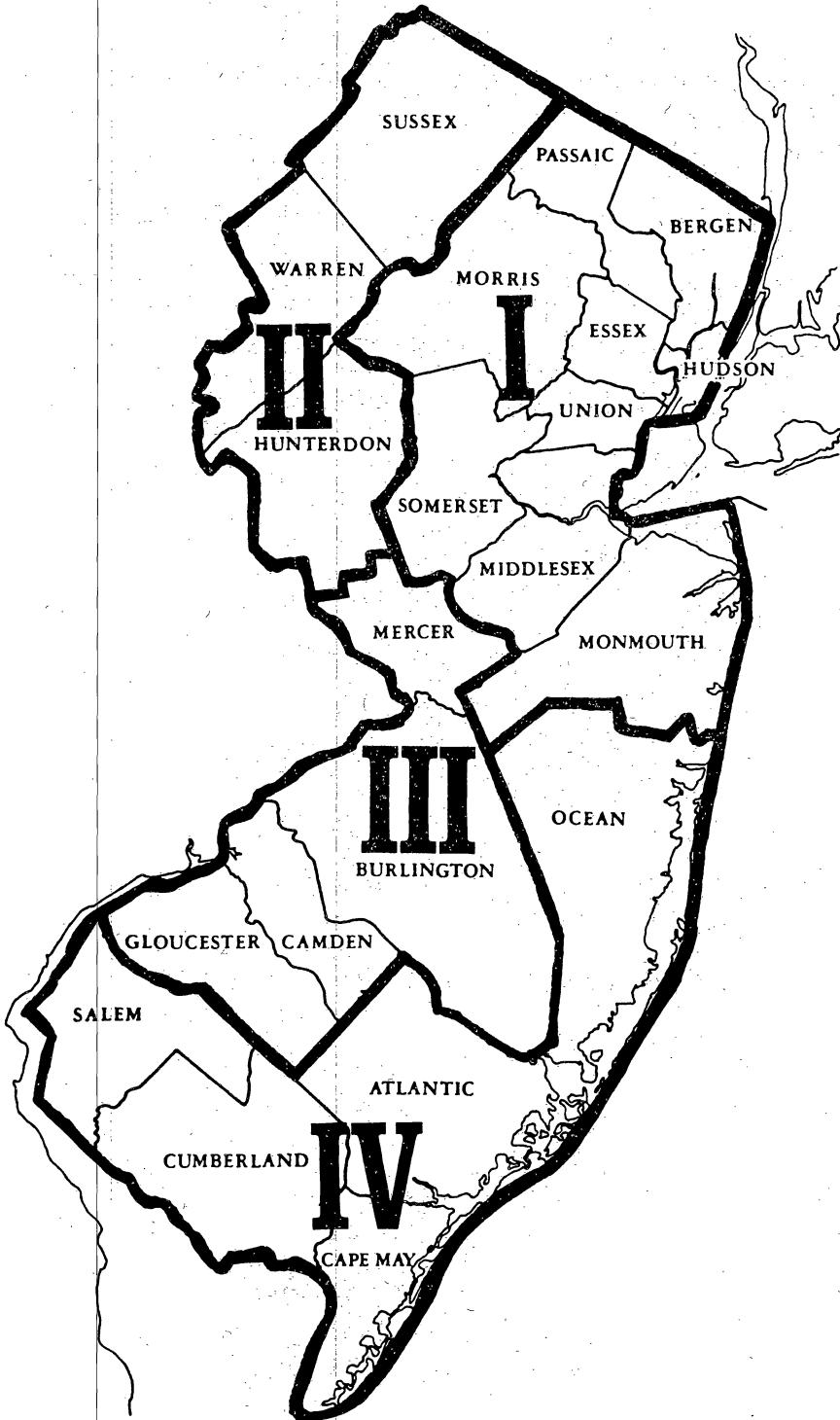
I. Northern Region: Tri-State Regional Planning Commission

Nine Counties: Bergen, Essex, Hudson, Middlesex, Monmouth, Morris, Passaic, Somerset, and Union.

In these counties the planning function is well developed. All the New Jersey Tri-State Region counties have committed staff time and funds to the subregional transportation planning program. Some counties, specifically Morris and Bergen, have done much in the way of operational transit planning, and will probably continue to do so. Others, such as Middlesex and Monmouth, have taken steps toward increasing their operational planning role. All counties in this region have demonstrated a willingness, in one way or another, to commit themselves to a substantive role in transit planning.

The urban core counties (Hudson and Essex, as examples) are distinctly different from their suburban sisters in the TSRPC area. Their populations are well served by local bus lines, and their problems center on a need to rationalize routes, consolidate

Figure V-1
Geographical Areas for County Analysis



service, and supervise the existing system. In short, their needs are of an economic nature, namely to *maintain* existing levels of service. Thus *operational* planning is of primary importance in the urban core, whereas *long-range* planning for increasing needs is of greater importance in developing suburban counties.

Most of the county subsidy contributions in the past have come from TSRPC counties. Generally, the need for financial assistance is greater in the suburban TSRPC counties, because buses must travel greater distances at greater cost than in the urban core, to collect an equal amount of revenue. The infusion of subsidy funds, although of importance in the urban cores as well, will not by itself solve the primary problems of system rationalization, and the pressing needs in the regulatory-supervisory area. On the other hand, the provision of some financial assistance is vital to the maintenance of an adequate level of operations in suburban areas as well as to the establishment of needed new service.

A summary of the bus transportation roles of the nine New Jersey Tri-State Region Counties appear in Figure V-1A.

II. Northern Region—Northwestern Counties

Three Counties: Hunterdon, Sussex, and Warren.

The planning function is basic in the counties of Warren, Sussex, and Hunterdon. State DOT recently assisted Hunterdon with an assessment of its public transit needs. The Study revealed little if any need for additional service owing to the county's largely scattered rural population, and further planning efforts were considered unnecessary at this time. No such transit feasibility study has been done for the other two counties, but State officials indicate that there is a similar absence of transit needs there. The small urbanized area around Phillipsburg is dealt with under the auspices of the Phillipsburg Urban Area Transportation Study (PUATS). However, even in this UMTA-recognized region of New Jersey, bus transportation is not of major importance.

The majority of the companies that operate in these counties are minor unsubsidized carriers, and in the absence of subsidized operations, the counties have not been pressed by DOT to participate in the bus subsidy program. There is also no evidence that these counties have contributed to bus services in any other way, or of their assumption of a regulatory role.

A summary of the bus transportation roles of these three northern counties appears in Figure V-1B.

Figure V-1A

**Current Roles in Bus Transportation; Northern Region
Nine Counties in the Tri-State Regional Planning Commission Area**

County	Planning	Finance	Operations	Regulation
Bergen	Operations planning done by Board of Transportation in cooperation with the Planning Board. Very competent resources. 12 persons on Board of Transportation.	Contributes to subsidy program; \$606,928 from 1970-1975. Some intra-county routes financed entirely by county funds.	Contract with various carriers for intracounty service. Monitors, supervises, controls schedules on intra-county contract routes. 24 hour information service.	Controls fares on contract routes. Monitors for economic and safety compliance.
Passaic	Planning Board does long range and operations planning. No comprehensive bus transportation plan. Operations planning consists of route restructuring.	Contributes to subsidy program; \$498,773 from 1970 to 1975.	Does not have an operational role.	No regulatory role.
Essex	Planning done by Essex County Improvement Authority. Currently preparing a plan. Staff of 4 persons. Planning Board assists Improvement Authority with policy and information.	Has made minor contributions to subsidy program, including the Newark subway.	No operations role. All operations done by private carriers. Large carriers and IBOA's preempt other operational options.	No regulatory role.
Union	Beginning to formulate a policy and plan for bus transportation.	Has not contributed to subsidy program.	No operations role.	No regulatory role.

Hudson	Planning board participating in TSRPC Sub-regional planning program. Currently preparing a plan.	Has not contributed to subsidy program	No operations role. Highest concentration of IBOA's in the State. Dense route network.	Only identifiable regulatory role is that of the Jersey City Division of Taxicabs and Buses: monitors routes and schedules.
Morris	Board of Public Transportation does operations planning and Planning Board does long range transportation planning with assistance of Transportation Coordinating Committee and Transportation Advisory Committee for citizen input.	Contributes heavily to subsidy program but only for its contract routes; \$259,251 from 1970-1975. Jersey Bus also known as Morris County Metro.	Contracts with MCM for four intracounty routes. Board has complete control: sets fares, makes up schedules; keeps data on ridership, revenue, and expenses. Six studies have been done.	Significant regulatory control over MCM service including fares, schedules, routes, safety, and complaints.
Somerset	Planning done by planning board. Participates in TSRPC Subregional Transportation Planning. Newly formed office of Transportation Coordinator.	Has not contributed to subsidy program.	Para-transit for elderly run by Office on Aging and a private group.	No regulatory role.
Middlesex	Planning Board active in long range and operations planning. One major study done. Responsible for analysis of bus proposals. Attempting to institute new services through DOT.	Contributes to subsidy program; \$108,000 from 1970-1975.	Special service only, operated by Office on Aging.	No regulatory role.
Monmouth	Planning Board working through Transportation Coordinating Committee. TCC has worked to establish one new route out of four desired.	Contributes to subsidy program; \$840,478 from 1970-1975.	Special services operated by Office on Aging.	Monitors both intra and inter-county service. Receives citizen suggestions and evaluates service needs—new routes, fares, etc.

Source: Commission Questionnaires and Interviews.

Figure V-1B

**Current Roles in Bus Transportation; Northern Region
Three northwestern counties.**

County	Planning	Finance	Operations	Regulation
Sussex	Limited planning efforts. One transportation coordinator who is attempting to establish a mini-bus system for local travel.	No subsidy contribution.	Little exists in the way of local private operations. May operate mini-bus system in the future.	No regulatory role.
Warren	Little in the way of mass transit planning except for the Phillipsburg Urban Area Transportation Study.	No subsidy contribution.	Little in the way of local transit except for Pioneer on Wheels—a local, privately operated para-transit system for the elderly and handicapped.	No regulatory role.
Hunterdon	Has planning capacity but DOT plan done for county demonstrated that transit was not feasible due to largely rural population.	No subsidy participation.	No operations role.	No regulatory role.

Source: Commission Questionnaires and Interviews.

III. Southern Region: Delaware Valley Regional Planning Commission

Four Counties: Burlington, Camden, Gloucester, and Mercer.

The counties in this region vary widely in their public transit planning capabilities. Gloucester and Burlington have a limited capability at present but are working to increase their capacity through their involvement with DVRPC in the UMTA/FHWA Subregional Transportation Planning Process. Burlington is presently coordinating its efforts with Camden in a bi-county transportation needs study. Camden has an established planning capability, and has gained experience through work with the PATCO High Speed Line, the now defunct Haddonfield Dial-a-Ride Experiment, and TNJ's bus feeder system. However, like Burlington, the current needs study is a first cut at general operational planning.

Mercer County has conducted some ad-hoc operations planning since the county first took over operation of the bankrupt Capitol Transit Company. No other planning effort existed for bus operations in Mercer County until recently when DOT, in a cooperative effort with the county, started work on a plan required to qualify the Trenton urbanized area for UMTA funds. Bus service is scantily mentioned in the Mercer County Master Plan.

The only county in the DVRPC area to have contributed to the subsidy program is Mercer, which is the only one of the DVRPC counties to have a major role in bus operations and regulations. A summary of the bus transportation roles of the four DVRPC counties appears in Figure V-2A.

IV. Southern Region—Coastal and Southwestern Counties

Five Counties: Atlantic, Cape May, Ocean, Cumberland & Salem.

Atlantic and Ocean Counties have developed a high degree of competence in operational planning. Atlantic has contributed heavily to the subsidy of the Atlantic City Transportation Company, and the County plan attempts to minimize subsidy costs. Ocean County officials indicate a willingness to participate financially in providing local service.

Cape May County, while having no long range, comprehensive plan, has established an extensive para-transit system to serve the elderly, handicapped, and the poor.

Cumberland does not have a comprehensive county bus plan, but is considering a study for the UMTA recognized urban area of Bridgeton-Vineland-Millville. Salem County has been working with DOT to establish intracounty routes.

A summary of the bus transportation roles of the five southern region counties appears in Figure V-2B.

Figure V-2A

**Current Roles in Bus Transportation Southern Region
Four Counties in the Delaware Valley Regional Planning Commission Area.**

County	Planning	Finance	Operations	Regulation
Burlington	No adopted plan for bus transportation. Currently working on a plan in conjunction with Camden County. Planning Board is advisory only and County has "bus coordinator."	Has not contributed to subsidy program. \$177,000 from 1973-1976 invested in mini-bus program for elderly.	Office on Aging operates mini-bus service to several municipalities.	No regulatory role.
Camden	Planning Board has primary role. Currently working with Burlington and consultants on a bi-county transit study. Various studies done in the past.	No contribution to subsidy program.	Operated the now defunct Haddonfield Dial-a-Ride Demonstration Project. Currently no role in operations. TNJ provides almost all operations.	No regulatory role.
Gloucester	Little involvement in the planning area. Transportation Committee in which the municipalities participate.	No contribution to subsidy program. County has purchased shuttle buses for the municipalities.	Municipally operated shuttle buses. Office on Aging provides transportation for elderly and handicapped. Almost exclusively TNJ operations.	No regulatory role.
Mercer	Planning Board can assist Improvement Authority. Comprehensive bus plan being prepared. DOT is working on a plan in conjunction with county.	County has contributed more than its fair share to the subsidy program; \$5,147,841 from 1970-1975.	Owens and operates the system. Has total operational control. Has been allowed to alter the system as the county sees fit, with concurrence of DOT.	Has been allowed almost total regulatory freedom except for periodic inspections by State personnel. Fares have not risen since County takeover in 1969.

Source: Commission Questionnaires and Interviews.

Figure V-2B
Current Roles in Bus Transportation; Southern Region
Three Coastal and Two Southwestern Counties.

County	Planning	Finance	Operations	Regulation
Atlantic	County Bus Plan calls for a major overhaul of the local system run by Atlantic City Transportation Company (ACTC):	Subsidy contributor: \$727,367 from 1970-1975. County plan suggests savings in subsidy payments.	Attempting to assist ACTC in dropping unprofitable routes and starting new service to developing areas.	Monitors ACTC, and if 1976 plan is implemented the county would take on the regulatory functions of route and schedule supervision and monitoring.
Cape May	Bus transit element in the county Master Plan. Planning Board employs one full-time transportation planner. Highest elderly and handicapped population in the State.	No contribution to subsidy program. County has financed the elderly and handicapped transit system with county appropriations and revenue sharing funds. \$194,000 per year. No state assistance.	County operates extensive (in comparison with other counties in New Jersey) elderly and handicapped transit system. Fare free. Few common carrier operations exist in county.	Has total regulatory control over county-run system.
Ocean	County 1974 transit plan has identified need for local bus service. Board of Public Transportation is advisory. Planning Department desires 1974 plan to be implemented.	No contribution to subsidy program, but indicates a willingness to pay their fair share for the system called for in 1974 transit plan.	Small county role in transporting elderly and handicapped. Private service for elderly, provided by communities' homeowners associations.	Monitors the existing private carriers who operate line haul through the county.
Comberland	Planning Board is considering a study of mass transit. The Bridgeton-Vineland-Millville region is an UMTA recognized urban area for receipt of Federal aid.	No subsidy contribution.	Only operations role is that of the Office on Aging which was instrumental in establishing elderly citizen dial-a-bus system.	No regulatory role.
Salem	The County has been working with DOT to establish some intra-county routes. Has proposed a county operated system.	No subsidy contribution. \$30,000 for one demonstration project in 1973-74.	No current role. Would like to operate its own system. TNJ service provided to Philadelphia. County feels this service is inadequate.	No regulatory role.

Source: Commission Questionnaires and Interviews.

Conclusions

Of the nine New Jersey counties of the Tri-State Region, the majority have committed their staffs to operational planning efforts and their financial resources by contributing to the subsidy program. Also, Bergen and Morris Counties have set a precedent for county involvement in marketing of bus service. While none of the counties in the region have assumed total responsibility for public ownership and operations, the Tri-State region counties are able to assist with para-transit services and are well prepared to assume a responsible regulatory role. In contrast to the nine county Tri-State region, the three remaining northern counties, with primarily rural populations, do not have the same immediate needs and demands for service.

Of the nine Southern counties, most have the capability to meet the planning needs for their respective areas. Atlantic and Mercer have been the most active in the subsidy area; Ocean County has been negotiating for intra-county service; and Cape May has developed an extensive para-transit system for the elderly and handicapped. In general, the absence of State direction and an understanding on how county goals could be incorporated into a larger process and system, represents the foremost concern at present.

A recommended strengthened statewide framework is proposed in the next chapter.

CHAPTER VI

STRENGTHENING THE STATEWIDE FRAMEWORK

Introduction

The foregoing chapters on the Commission's findings suggest an urgent need to alter the manner in which bus transportation is managed in New Jersey as perceived from a county level perspective. To reiterate the Commission's conclusions, the factors constraining the bus transportation system from fully realizing its potential are:

- a non integrated two-tier regulatory system that is governed by two different sets of rules and regulations;
- an undeveloped systematic monitoring effort that assures adherence to State orders and directions;
- a lack of effective coordination between the planning and operational units;
- an absence of incentives and assurances necessary for the prudent allocation of subsidy funds;
- an inability to know the degree to which operating deficits are based on, or caused by, management decisions, market conditions, service routes, inflation, insufficient personnel, and/or any number of other factors and forces.

In the course of this study the Commission cooperated with the New Jersey Department of Transportation (DOT) in its study of *State* organization and financing issues. The latter effort resulted in a separate report which contains recommendations for realigning the State's approach to bus transportation. In recognition of the complementary role of counties in a state-dominated bus system the Commission evaluated and acknowledges the need for several prerequisite actions **to establish an overall framework at the State level within which county responsibilities can be defined.** The Commission's recommendations assume that the following action will be taken:

- that the State will reorganize its internal administrative apparatus;
- that the State will establish the means for determining basic levels of service and incorporating such into operational plans;
- that the State will develop a formula for administering the subsidy program based upon realistic and periodically updated cost factors;
- that the State will consolidate the regulatory functions into one agency, providing, however, that the rights of viable private carriers will not be compromised through an unwarranted protection of subsidized operations;
- that the State will have the capacity to acquire lines, in exceptional

circumstances, based upon clearly established legislative criteria and to assign such routes to a management company or to a viable carrier. (The Commission does **not** endorse the establishment of a State operating agency, especially in view of the potential for competition with unsubsidized lines which it regulates).

- that the State will enact legislation to provide for optional operating agencies on a county or multi-county basis through various organizational arrangements.

These actions are predicated on the assumption that, in reorganizing its approach to bus services, the New Jersey Department of Transportation will promote an inter-governmental system which encourages two-way communications with county governments and general public participation and access to all components of the administrative structure.

A Restructured System

The integration of the counties is based on a restructured system with understood attributes and characteristics. It is assumed:

- that the State will institute and develop cogent and consistent policies and plans that will maximize the benefits of private participation, overcome the substantial public and political reservations of the present system, assure a coordinated and equitable program for the counties and carriers, demonstrate a responsive and responsible decision-making process, and formulate a funding mix that enables timely executive-legislative-county judgments.
- that the State will formulate a statutory framework and planning process that will enable it to take aggressive regulatory-financial actions to restructure the system and to assure a reasonable level of service, a mandatory degree of carrier administrative and managerial efficiency, and a coordinated system of service routes on a county/corridor basis.
- that the State will develop a technical competence, a uniform reporting and information system, a participatory review process, and a series of reasonable and implementable standards that will enable the State to assure improved operator productivity, an attainable level of understood service, and the elimination of non-productive competition and duplicative services.

Obviously, such a system cannot be formulated without innovative leadership and concerted management direction at the State level; without the evaluative and participatory assistance of the counties; without a commitment by the carriers of their responsibility to reconcile sound business decisions with the legitimate concerns and interests of the communities served (public needs); and without an Executive-Legislative realization that past practices did not accomplish expected or understood results.

The problems associated with the structure, process, and procedures employed in planning, regulating and managing the State's bus transportation system are considerable. Regardless of the improvements that may be made in the structural and

procedural areas, decision making will not be improved unless there are: 1) reorganized staff resources and manpower to perform a substantially high level of public service; 2) a State-wide transportation circulation plan encompassing a multi-modal network system and a rational basis for altering present public transportation service and adding new service; 3) an enforcement and supervisory mechanism that ensures that service is being rendered when it is needed and in an efficient manner; and 4) an information and accounting system that assures the Legislature's and the county's support for reasonable and necessary annual funding.

Moreover, certain basic statutory changes will need to be approved by the Legislature and the Executive—namely, that:

- **the statutes be revised to consolidate the regulatory powers within a single agency, DOT, and that these powers be subject to greater review and analysis by the Legislature and private sector;**
- **the statutes be revised in order to enable the State, to maximize service and/or minimize costs by modifying a carrier's schedules, routes, fares, and headways, in accordance with an approved basis and plan;**
- **the statutes be revised to mandate a level and quality of service based upon a mutual State-county determination of service needs and the most appropriate manner for achieving such services;**
- **the statutes be revised to mandate that the State DOT institute rigorous criteria and standards for subsidy and capital programs, and that the State's subsidy and carrier evaluation be subject to annual review and analysis by the Office of Fiscal Affairs;**
- **the statutes be revised to mandate that the State DOT formulate administrative processes and procedures that represent an accountable, open, and responsive mechanism for public needs.**

An Intergovernmental Framework

In addition to these recommendations, the Commission proposes a revitalized intergovernmental framework with understood areas of responsibility for the State, the carriers, and the counties. The proposed institutional framework, outlined in Figure VI-1, anticipates the continued primacy of the State in a more accountable process. **State Department of Transportation** would be responsible for instituting policy and program goals; coordinating planning programs with the counties; developing effective management controls; and formulating regulatory policies and procedures.

Likewise, the **State Legislature** would be responsible for assuring adequate annual funding, and for revising the State statutes as required to revitalize the bus program.

In a complementary fashion, **the Counties** would be responsible for determining intra-county service needs; processing information as a State agent; evaluating their land use decisions with an assessment of mass transit utilization; supervising and monitoring county service; actively participating in regulatory-route determination and fare decisions; and making financial or service commitments to the subsidy program.

**Figure VI-1
Institutional Framework for Transportation in New Jersey**

	Planning	Financial
Federal: (and Regional Agencies)	<ul style="list-style-type: none"> — Approve State Programs and Goals — Assist State in Implementing Priority Projects — Conduct Annual Planning Conference/Seminars 	<ul style="list-style-type: none"> — Maintain Major Funding Responsibility — Oversee State Allocations — Coordinate Inter-State Programs — Support State's Capital Needs — Allocate Resources to Radio Communication and Fare Box Systems
State: (Department of Transportation)	<ul style="list-style-type: none"> — Institute Policy and Program Goals — Develop Statewide Planning Process — Formulate Network Approach by Corridor/County — Coordinate Planning Programs with State-County Agencies — Assure Service to Major Labor Markets 	<ul style="list-style-type: none"> — Assure Adequate Annual Funding for Short and Long Range Needs — Institute Equitable Criteria for Subsidy-Capital Programs — Develop Effective Management Controls for Financial Programs — Assure Equitable Apportionment to Counties — Intensify Programs for the Transit Dependent
Operators: (Bus Carriers)	<ul style="list-style-type: none"> — Maintain Retrievable and Accurate Data — Assure State-County Review — Formulate Capital Needs Program — Respond to Public Needs 	<ul style="list-style-type: none"> — Assure Cost Effective Approaches — Submit Comprehensive Quarterly/Annual Report — Delineate Costs on Individual Route Basis — Issue Annual Public Reports — Assure Access to Records
County: (and Municipal)	<ul style="list-style-type: none"> — Determine Intra-County Service Needs — Coordinate Inter-County Service — Assist in Regional & Local Planning Efforts — Process Information as State Agent — Conduct Annual Public Meetings 	<ul style="list-style-type: none"> — Active Participation in all Funding Proposals & Programs — Financial/Service Commitments to Subsidy Program — Approval of Determinations for Allocating Costs — Approval of Operators Costs and Subsidies — Coordinate Revenue Sharing Allocations with State Goals
Public:	<ul style="list-style-type: none"> — Membership on Planning Advisory Committees — Access to Planning Program Information — Attend Public Meetings 	<ul style="list-style-type: none"> — Demand Accountability — Support Legislative and County Review

Regulatory/Supervisory-Monitoring

- Institute Information Exchange Systems and Programs
- Supervise Inter-State Service and Needs
- Render Technical Direction and Assistance
- Support State's Data Collection Needs

- Formulate Regulatory Policies and Procedures
- Institute Efficient Administrative Hearing Process & Procedures
- Develop Consolidated Approaches in Operations & Supervision
- Eliminate Non-Productive Competitive & Non-Duplicative Services
- Develop an Essentiality Formula for all Routes
- Apply Powers to Determine Accountability with Franchise Areas

- Maintain Efficient Clean Operations
- Assure County-State Role in Supervisory-Monitoring Process
- Institute Productivity Levels and Approaches
- Assist in Attaining Timely Regulatory Decisions
- Emphasize Public Convenience & Necessity Responsibilities

- Supervise and Monitor County Operations and Service
- Active Participation in Regulatory-Route Determination & Fare Decisions
- Evaluate and Determine Level and Quality of Service
- Meet Periodically with Operators and State

- Participate on Technical Advisory Committees
- Attend Hearings and Sessions

Administrative/Legal

- Support State Goals and Programs
- Coordinate Federal-State Regulations
- Streamline Administrative Procedures and Review

- Codify and Revise State Statutes
- Institute Uniform Reporting, Data, Information System
- Develop Management Programs for Bus Operators
- Coordinate Conservation of Resources with State/County
- Issue Annual Comprehensive Reports to Legislature/County

- Substantiate Effective Management Approaches
- Maintain Records and Documentation
- Analyze Expenditure/Revenues by Service and Route

- Develop Public Information System and Program
- Active Participation in Codification of State Statutes
- Power to be owner/operator
- Submit Recommendations for Administrative Review Charges

- Foster Legislative Changes and Reviews
- Demand Efficiency and Effectiveness

The carriers, in performing a public service will be required to maintain accurate and retrievable financial and operating data showing direct revenue and costs by route and type of service and clearly showing all overhead expenses. The private operator should be prepared to submit assurances, and be able to substantiate, that the company is employing effective approaches to the delivery of clean, efficient operations, and is actively seeking to attain productivity levels consistent with its agreed-upon level of service to the community.

In view of the current problems of traffic congestion, energy conservation, and balanced land use needs, it is imperative that New Jersey utilize the flexibility and versatility of bus transportation to its maximum. The challenge is clearly with the State to institute the necessary statutory changes and assure that sound independent management approaches are applied.

The bus subsidy program came about as a response to a crisis which arose as a result of unforeseen circumstances. what is needed now is a system and a process to deal with the issues in a related manner. There are no expedient or partial answers. Indeed, the present subsidy program itself has taken on crisis proportions, and a new subsidy formula alone would be just another inadequate response. This vicious circle must be broken by the establishment of an effective process to enable the State to correct deficiencies before they become a "crisis."

REPORTS OF THE COUNTY AND MUNICIPAL GOVERNMENT STUDY COMMISSION

Creative Localism—A Prospectus, 1968 (Out of Print)

County Government—Challenge and Change, 1969

—Supplementary Readings and Research Materials, 1969 (Out of Print)

Joint Services—A Local Response to Area-Wide Problems, 1970

—A Practical Guide to Reaching Joint Services Agreements, 1971

(In cooperation with the N.J. Department of Community Affairs)

Beyond Local Resources: Federal/State Aid & the Local Fiscal Crisis, 1971

—Supplementary Essays and Research Materials, 1971

Consolidation: Prospects and Problems, 1972

A Public Personnel Information System for New Jersey, 1972

(In cooperation with the Bureau of Government Research, Rutgers University)

Solid Waste: A Coordinated Approach, 1972

Water Quality Management: New Jersey's Vanishing Options, 1973

Housing and Suburbs: Fiscal and Social Impact of Multifamily Development, 1974

Community Health Services: Existing Patterns-Emerging Trends, 1974

Water Supply Management in N.J., 1975

Aspects of Law Enforcement in New Jersey, 1976

Bus Transportation: State-Local Roles and Responsibilities, May 1977

Other Reports Scheduled:

Flood Control Management

Municipal Government Forms

Social Services Delivery

The Setting for Neighborhood Preservation

Computer Systems for Local Government

Transportation, Part II (Emphasis Highways)

