

Associated Railroads of New Jersey.

First class commuter service for
New Jersey.

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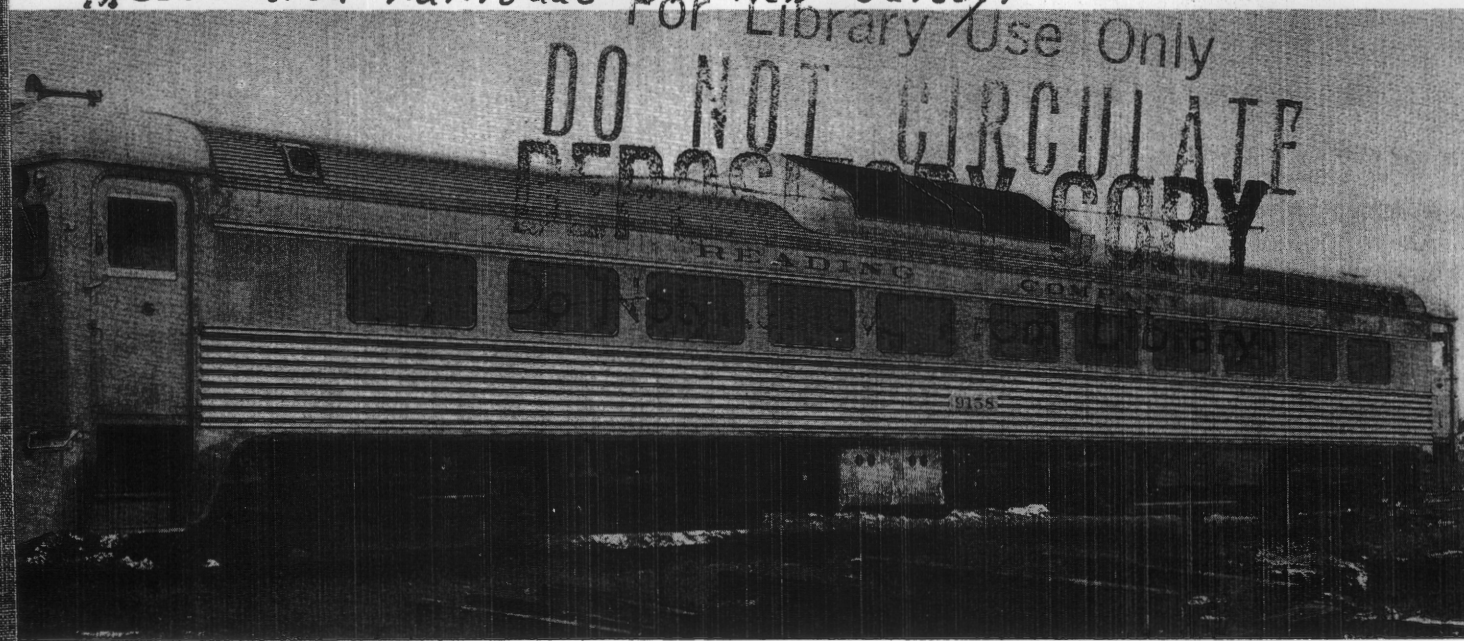
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A PLAN



FIRST CLASS COMMUTER SERVICE FOR NEW JERSEY,

Associated Railroads of New Jersey.



A PRICE TAG

The modern stainless steel air-conditioned equipment shown on the front cover is in commuter and suburban passenger service in the Philadelphia area. The new cars are operating on the Pennsylvania and Reading Railroads, under a contract agreement (details of the contract plan are found in the following pages and in Appendix A).

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INTRODUCTION

Collapse of New Jersey's rail mass transportation service was averted in 1959 through bi-partisan recognition that its preservation is a public necessity and a State responsibility. A Division of Railroad Transportation was created. The following year a "purchase of service by contract" law was enacted and has provided payments of \$6 million as a stop-gap measure to keep commuter service in operation until more permanent solutions could be established.

Now in 1964 there is emergency need to increase the appropriation to \$8.5 million on another stop-gap basis because of the critical financial condition of some of our railroads.

The time for stop-gap measures has passed. It is time to face up to the long-range financial needs to improve mass transportation.

The Legislature has again taken the initiative by the creation of a joint study committee under Assembly Concurrent Resolution 9, to study and report on the state's highway and other transportation needs.

Last year the Legislature directed the Commission on State Tax Policy to complete a study and make final recommendations for solving the railroad tax problem. This is underway.

The railroads serving New Jersey set forth herein a four-point program for the long-range improvement of railroad transportation. The first three points are essentially the plan developed by the Highway Commissioner and the Division of Railroad Transportation. We propose:

1. Continuing and increasing rail contract payments.
2. Completion of the "Aldene Plan" for re-routing the Jersey Central to Penn Station, Newark, now that rehabilitation of PATH (formerly Hudson and Manhattan) is anticipated by December, 1964.
3. Modernization of antiquated railroad rolling stock in passenger service; improved station, terminal and parking facilities.
4. Tax Relief.

The net annual minimum additional cost of this program over a 10-year period would be \$25 million, plus a minimum non-recurring capital construction cost of \$13 million.

This program would affect State revenues and expenditures as follows:

1. Reduce Revenues by \$2.4 million through elimination of Class I and III taxes on rights-of-way and tangible personal property (primarily rolling stock).
2. Increase Expenditures for General State Operations by \$12.5 million for increased contract payments.
3. Increase Expenditures for State Aid by \$7.3 million as replacement revenue to municipalities for reduction in Class II taxes now allocated to them.
4. Increase Capital Expenditures by \$2.8 million per year for 10 years to provide modern passenger equipment (New Jersey's cost on the assumption of Federal Mass Transportation matching 2/3 grants).

A non-recurring capital expenditure of \$13 million for construction of improved facilities, electrification, stations, parking lots, etc. (with matching Federal funds).

These needs are substantial, but they are the best buy for the taxpayer. The collapse of mass transportation would result in chaos and it would cost \$1.3 BILLION to build replacement highways to handle present rail commuters.

New Jersey's railroads stand ready, willing and anxious to improve commuter transportation, if they are fully compensated for services rendered. They can no longer provide this public service at a loss.

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STATEMENT OF POLICY

New Jersey's railroads pledge complete cooperation with any and all governmental agencies which act to preserve and to improve suburban passenger and commuter service.

Suburban transportation is more than a railroad problem.

It is a public problem.

The railroads have served the State for more than a century. They have helped New Jersey grow into an economic giant. The railroads stand ready, willing and anxious to continue this useful role.

This, however, only can be accomplished under one basic premise:

Railroads must be compensated fully for services rendered. As a private enterprise, railroads should not be expected to provide a public service such as suburban passenger transportation, at a loss.

Studies and reports of the New Jersey State Highway Department and the Division of Rail Transportation, as well as studies of mass transportation problems of metropolitan areas throughout the nation, generally are in agreement that:

Rail facilities for mass transportation of people must be preserved if our large metropolitan areas, including the suburbs, want to hold down their total transportation costs and thereby save the taxpayers millions of dollars.

The railroads have no quarrel with the construction of highways, and the use thereof by buses and automobiles in the transportation of people. Public funds should best be expended to develop a balanced transportation system to make the most efficient use of all available forms of transportation.

The peak hour -- or rush hour -- problem in the movement of people to and from their jobs is the ever-present challenge to all forms of passenger transportation -- whether it be by auto, bus or rail.

Highways, which are open to free movement of vehicles during the day and night, are jammed at rush hours.

Suburban passenger trains are loaded during the peak commuter hours -- and generally are little used during the off-peak and on holidays and weekends.

There is one prime difference, however, between the use of railroads and highways to carry rush hour loads:

Railroads have a greater capacity to handle peak hour loads and can do so more efficiently, at a lower total cost and with better land use.

The State, for the past four years, has been making payments to the railroads to keep suburban and commuter service operating.

These payments -- by State admission -- have been a stop-gap measure. These payments fall far short of full compensation to the railroads for suburban passenger services rendered.

State contract payments alone -- at present rates -- are not the answer if suburban passenger operations in New Jersey are to be continued and to be improved. Private enterprise no longer can afford to underwrite the loss-ridden suburban rail operations, where up to 80 percent of the passenger traffic is carried during peak hours at cut-price commuter fares.

What is the answer?

FOUR POINT PROGRAM

A bold program was inaugurated in 1959 to solve the problems of preservation and improvement of essential suburban and commuter rail service for the benefit of the public, and received bi-partisan Legislative support.

The main points of the program included:

1. Continuing and increasing rail contract payments to cover the cost of operation and to provide the State with essential services.
2. Replacement of antiquated railroad rolling stock with modern air-conditioned equipment; improved stations, terminal and parking facilities.
3. Completion of the "Aldene Plan" for re-routing the Jersey Central to Penn Station, Newark, now that rehabilitation of PATH (formerly Hudson and Manhattan) is anticipated by December, 1964.

The railroads subscribe to these three points and add a fourth:

4. Tax relief.

Prompt consummation of these four points would contribute importantly in meeting the public needs described by the State as essential to provide a total transportation system at a minimum cost to the taxpayer. Immediate public and Legislative support is required if this aim is to be accomplished.

Responsibility for the solution of public transportation problems is basically one of governmental authority. The primary responsibility is State and local. However, the Federal government also should share a part in the solution of mass transportation by rail as it has in the field of highway construction.

Details of the Four-Point Program, including accomplishments to date and problems as of TODAY are outlined on the following pages.

RAIL CONTRACT SERVICE - EQUIPMENT

Rail contract service was advocated in 1960 by Highway Commissioner Palmer to keep suburban rail service operating because:

- (a) Highways could not be built in time to absorb displaced rail travelers if commuter passenger service died of financial distress.
- (b) The vast sums needed for land acquisition and highway construction would not be available without great added expenditure of taxpayer dollars.
- (c) Taxpayers would be saved millions of transportation dollars by keeping mass transportation operating instead of replacing it with added increased costly highway construction and removing more valuable property from the tax lists.

The railroads, cooperating in the public interest, entered into the contracts. Yet rail passenger losses continued.

Operating losses in suburban and commuter passenger service in New Jersey for the passenger carrying railroads (*) in recent years have totaled:

\$19.97 millions in 1960
\$19.34 millions in 1961
\$21.72 millions in 1962
\$21.13 millions in 1963 (estimated)

Four year total: \$82.16 millions

Thus the total suburban and commuter passenger deficit over the four-year period was \$82.16 millions while the State paid to the participating railroads some \$6 millions a year in contract service, or a total of \$21 million (through January 1, 1964), which leaves a net deficit of \$61.16 millions.

Meanwhile, the railroads of New Jersey paid a total of \$71.28 millions in taxes in the same period.

(*) These are the Erie-Lackawanna, Pennsylvania, Jersey Central, Pennsylvania-Reading Seashore Lines, The Reading, New Jersey and New York, and the New York Susquehanna and Western. (The Pennsylvania-Reading Seashore Lines and the New York Susquehanna and Western entered into their first contracts in 1962).

The Division of Railroad Transportation, recognizing the need for increased contract payments, recommended that the appropriation be increased from \$6 million a year to \$8.5 million for the 1964-65 contract period.

However, the Governor did not include the increase in his budget, stating:

"There is recommended the sum of \$6 million to cover the cost of our existing agreements for the continuation of commuter services. The Highway Commissioner requested that the amount of \$6 million currently provided for these services be increased by about \$2.5 million. Our revenue structure at the present time does not permit this increase. I am, therefore, recommending a continuation of the \$6 million program; but should the Legislature increase our revenues by a sufficient sum, I would be in favor of increasing the amount for this purpose to that requested by the Highway Commissioner. The deep public interest in the maintenance of commuter passenger services is well known, and as a matter of fact is a part of existing State policy."

Now what does this great difference between State payments and a railroad's passenger losses mean to a railroad?

Here's just one example -- that of the Central Railroad of New Jersey:

The Jersey Central serves about 12,000 passengers daily in Essex, Hudson, Union, Somerset, Middlesex, Hunterdon, Monmouth and Ocean Counties.

The Jersey Central told its stockholders at the annual meeting on December 2, 1963:

"As previously stated we have received \$1,511,000 this year, the anticipated amount under our present contract which expires December 31st. On this basis the State has replaced about 25 percent of our passenger service losses. We have told the State that our railroad cannot live upon a 25 percent replacement of losses for service which the State feels it requires, which we operate in such quantity as the State designates and for which we collect such fares as the State authorizes. We have told New Jersey that in 1964 we must expect our contract money to be at least double and we believe that this request is under responsible consideration."

Railroad contracts with the State expire on June 30, 1964.

The 1964 Legislature has taken a forward step to determine the needs in the area of highway and rail transportation. By concurrent resolution (ACR 9) both Houses of the Legislature directed a joint legislative committee to study the problem and to report by June 15, 1964.

Contract service is not without precedent in the nation.

The first continuing economic participation by a public governmental unit in the United States in contracting for suburban rail service was established in 1958 in the Philadelphia area. This experiment was a joint undertaking of the City of Philadelphia, the Pennsylvania Railroad, the Reading Company and the Philadelphia Transportation Company. (*)

Briefly, a non-profit corporation (Passenger Service Improvement Corporation) was organized, with a 15-man Board of Directors. Eleven represented the City of Philadelphia, two railroad labor and one each from the railroads involved. Under the contract terms, the City paid the railroads a portion of operating costs incurred in providing increased service. The corporation assumed any revenue losses incurred from reduced fares.

In order to reduce congestion in the mid-city metropolitan area, use of suburban rail transportation was stimulated. Fares were reduced as much as 45 percent, and service was increased.

Use of the suburban passenger trains increased from 46 to 52 percent.

New equipment then was added.

Free parking lots were part of the service to the public.

The basic premise of the so-called "Philadelphia Plan" is that the railroad operation first must be made economically sound. Then, new equipment as required would be added. New equipment without a financially sound railroad would not be practical. Both of these aims were accomplished in the "Philadelphia Plan" (See cover)

This brings us to the second phase of contract-equipment-improvements in the Four-Point Program.

(*) Summary of the Philadelphia Plan is included in Appendix A

EQUIPMENT AND FACILITIES

Recognition of the needs for improvement of the physical plant and rolling stock of suburban passenger and commuter railroads is growing -- from the commuters themselves to the local, county, State and Federal levels. This awareness must be jelled into "instant action" so that the proposed related improvements can be coordinated with and keyed to completion of PATH rehabilitation.

However, this "instant action" cannot take place without the essential ingredient of money -- and without the equally essential ingredient of public awareness.

Because suburban rail transportation is a public problem -- and not a railroad problem -- public funds must be considered in all of the proposed improvements. The primary responsibility in this field is that of State and local governments.

However, New Jersey's railroads wholeheartedly endorsed the Urban Mass Transportation Act of 1963.

The measure provides for some of the financing -- by grants or loans -- for capital improvements and modern rolling stock so sorely needed in the New Jersey rail transportation picture. The State transportation agencies or local public bodies would provide 1/3 of the money needed for the projects. Federal matching funds would do the rest.

The Mass Transportation legislation of 1963 provides only for capital improvements. The pressing needs of increased contract payments and tax relief are solely the responsibility of the State. Without Federal aid, other sources of public funds must be provided for capital improvements.

Briefly, here are some of the improvements proposed by the Division of Rail Transportation which are endorsed by the railroads:

(a) New Rolling Stock. The May, 1963, Railroad Suburban Equipment Study of the Tri-State Transportation Committee showed that 99% of the rolling stock serving New Jersey commuters is more than 30 years old. Modern air-conditioned equipment has been proposed by the Division of Rail Transportation.

(b) Integration of Facilities Between Railroads and PATH. This is in progress. The Port Authority's rehabilitation program would make PATH into a modern facility of benefit to the Metropolitan area commuter.

(c) Improved Station and Parking Facilities. One demonstration project went into effect at New Brunswick in 1963. A large parking lot and new station were built about two miles southwest of the Pennsylvania Railroad's present New Brunswick station. The plan encourages residents in the area to drive to the new station, leave their vehicles and take the trains to Newark, Manhattan and other points. The financing was accomplished through the Housing and Home Finance Administration under existing law, with the Federal government picking up two-thirds of the cost.

(d) Jersey Central Improvements. Faster and direct service to Newark from the Westfield-Plainfield-Somerville area; faster and more convenient service to uptown New York by a connection with the Pennsylvania Railroad; modern coaches and station improvements. The improved service to Newark and uptown New York should increase off-peak hour passenger patronage and thereby decrease passenger deficits. This affects some 12,000 daily passengers.

(e) Consolidated North Jersey Shore Service. Consolidation of the New York and Long Branch Railroad service under Pennsylvania operation with electrification and centralized stations, adequate parking facilities, improved schedules, etc.

(f) Main Line Pennsylvania Suburban. Modern MU cars and vastly improved consolidated stations and parking facilities for some 22,500 commuter and suburban passengers daily.

(g) Erie-Lackawanna Improvements. The improvements contemplated, underway or already completed, for the E-L's some 36,000 daily passengers include elimination of grade crossings through the center of downtown Passaic which the City of Passaic had sought for 50 years. This has been completed. Integration of the Boonton Line and the Greenwood Lake Line. This has been completed. Electrification of additional E-L trackage; coordination with PATH by construction of a transfer facility at Harrison; rapid transit or shuttle type operations to some points. These are in the planning stages.

(h) South Jersey Rapid Transit. Proposed rapid transit line for South Jersey at an estimated cost of some \$54,500,000 with the operation and financing to come under the jurisdiction of the Delaware River Port Authority will help as a beginning to relieve some of the transportation problems there.

These are just a few highlights proposed for the long-range improvements of mass transportation in the New Jersey-New York Metropolitan and South Jersey areas.

SUMMARY:

1. Contract service payments must be made realistic for railroads to continue and to improve commuter and suburban service.
2. Necessary funds must be provided by public sources for modernization of equipment and other improvements and facilities as are deemed essential by the State.

"ALDENE PLAN" - PATH REHABILITATION

The Division of Rail Transportation's 1962 report stated that "Rehabilitation of this vital interstate commuter facility must be assured before other programs outlined herein can be initiated."

Both New Jersey and New York have approved legislation providing that the Port of New York Authority carry out this project. The Port Authority, through its subsidiary, Port Authority Trans Hudson Corp., has taken over the rapid transit line and began to use its management and engineering know-how to modernize the PATH physical plant, stations, signal systems, etc., to make the line adequate for today's operations. Further, new rolling stock, including air-conditioned equipment has been ordered to replace the present antiquated rolling stock now in operation on some of the PATH lines. The target date on the modernization program is December, 1964.

PATH must provide a connection for its passengers at Penn Station, Newark, after construction of a Jersey Central connection over the existing Lehigh Valley tracks. The State has appropriated \$3 million for this CNJ connection.

Here again, the railroads are cooperating with the State in this most important step in the interest of the traveling public.

For instance, the Erie-Lackawanna in conjunction with the State has been working on engineering plans for a transfer station at Harrison, linking the E-L network of lines with PATH for fast transfer of passengers to uptown and downtown New York destinations.

Completion of the "Aldene Plan" for re-routing Jersey Central into Penn Station, Newark, will provide a new mass transportation service for our largest city, and integrate other rail service into the modernized PATH. Appropriations have already been made for the cost of this project, except for certain grade crossing eliminations.

The Pennsylvania is cooperating on all of the phases in which its lines and facilities are involved to assist in the faster and more convenient movement of suburban passengers.

The Port Authority, in addition to the planned improvements of rolling stock and other phases of PATH, also has announced plans to create a modern transportation facility at the Journal Square, Jersey City, station of PATH, integrating the station with bus connections.

A further major plan of the Port Authority in connection with the PATH project is to modernize the Hudson Terminal in downtown New York.

The railroads recognize the added impetus given to public transportation service by the Port Authority decision to get into the mass transportation business by rail. The railroads have been working with the State and the Port Authority to implement the connections between PATH and long haul rail travel for the benefit of the public.

SUMMARY:

Completion of the PATH program of modernization and new rolling stock is one of the keystones in the entire program of improving all of North Jersey rapid transit and rail commuter and suburban passenger transportation. This is also a necessary prerequisite to completion of the "Aldene Plan."

PROPOSED PROGRAM FOR TAX RELIEF

New Jersey's railroad tax bill for 1963 was \$ 17,200,000.

Unable to obtain legislated tax relief through the years, the railroads have taken such steps as they could to help themselves. For instance:

Since 1946, New Jersey's railroads have taken close to 900 miles of unneeded track out of service. This is close to a 15 percent reduction.

Since 1946, railroads disposed of more than 2,000 acres of Class II property (land in railroad use assessed by the State for local tax revenue) -- a reduction of upwards of 20 percent.

Yet the tax bill to the railroads for the benefit of municipalities has doubled -- from \$ 7.3 millions in 1946 to \$ 14.7 millions in 1963.

In addition, the railroads abandoned 750 acres of locally assessed waterfront lands in Hudson County simply because the railroads could not afford to own them in face of the tax burden. These lands either were abandoned outright or sold for \$ 1.00.

In 1948 the Commission on State Tax Policy fully reviewed the subject of railroad taxation and presented a completed study, which resulted in enactment that year of the present railroad tax law. This was the Third Report of the Commission entitled, "The Taxation of New Jersey Railroads." At that time the Commission stated:

"...that the economic condition of the railroads as a group, or at least those railroads which serve New Jersey, and the comparative tax burden imposed in other states, would normally warrant a reduction in the railroad tax imposed in this State. A reduction cannot be recommended, however, at a time when all other property owners are being required to increase their contributions to the cost of government, and at a time when the State is faced with the need for additional new revenue. By the same token, it is a much better time, when the revenue structure is being revised, to take advantage of the opportunity to adjust State finances to declining railroad tax revenues."

On June 10, 1963 the Commission submitted its Tenth Report which included a section taking a current look at the taxation of railroads. The Commission now has stated:

"It is quite clear that since 1948 there has been no improvement in the economic status of the railroads. Quite the reverse, competition from air and highway carriers has increased, rail traffic has declined, railroad operating ratios have worsened, and railroad deficits have become the rule rather than the exception."

The Commission concluded with the following specific recommendation:

"As a first step toward a rational solution of the railroad tax problem, the Commission recommends that all railroad taxes be for State use and that the State provide replacement revenue for the municipalities to save them harmless as a result of this change in tax policy. The replacement revenue could be derived partially from the continued taxation of railroads and partially from any new tax source which the State may adopt."

The Commission finally stated that this change in the tax policy raises some adjustment problems which it could not, because of lack of time, resolve in the tenth report, but that it could solve them if the Legislature wanted to refer them back to the Commission.

This has been done by Senate Joint Resolution 12, signed by the Governor June 6, 1963, which directed the Commission to complete its study of the railroad tax problem and make final recommendations thereon by December 1, 1963. This report has been temporarily delayed due to reorganization of the Commission.

The railroads of New Jersey therefore propose the following program to obtain necessary tax relief in 1964:

1. Eliminate taxes on railroad rights-of-way and rolling stock. These taxes totaled \$2.36 million in 1963. They are retained by the State. Elimination of them would not affect any municipal revenues.
2. Exempt all passenger facilities from taxation. They do not produce a profit but are maintained only to provide a public service.
3. Reduce the remaining burden of Class II taxes to a level of not more than \$7.5 million.

We recognize, as the Commission has stated, that the railroad tax problem has long been acute because of the heavy concentration of terminal facilities in certain areas. We endorse the Commission's recommendation that some form of replacement revenue should be provided to the municipalities affected by reduction in their Class II property tax revenue.

SUMMARY:

Today, New Jersey railroads are in such a precarious financial condition that immediate tax relief is essential if they are to survive. We are hopeful that the Commission will concur in our program and present a blueprint for action in 1964.

THE BEST BUY FOR THE TAXPAYER

The taxpayer is the one to decide on how best to spend his tax dollar. The taxpayer cost by the dollar and the benefits to be derived from adoption of a balanced system of transportation including mass transportation by rail are made evident by these facts.

Taxpayer dollar for dollar, the lowest total cost form of transportation is to move large volumes of people in metropolitan areas by rail. Many other areas of the country are finding this out the hard way. While New Jersey still has its vast network of suburban passenger rail service, it might be well to preserve them by giving them financial strength.

Mass transportation will permit the construction of highways for ALL areas of the State in greater volume rather than concentrate such construction in just metropolitan areas.

It will permit the taxpayer dollar in the State to be distributed more broadly among pressing and essential needs of State government.

On the following page, we present the sort of tax bill which the railroads think is the BEST BUY FOR THE TAXPAYER. The tax bill presented is in contrast to the cost of \$1.3 BILLIONS for additional highways which would have to be built over and above already contemplated highways if New Jersey commuter and suburban passenger service were discontinued.

Commissioner Palmer has stated that "if rail passengers alone were pushed onto the highways, either on buses or their own cars, the result would be chaotic. There is neither the time nor the money to build the highways, tunnels, bridges and other facilities that would be needed.

"And speaking of money--tax money, if you please--the cost, if possible to build the roads, would run to one-half again as much as the estimated \$2.75 to \$3.0 billions needed under the state's plan to meet highway needs by 1975..."

10 - YEAR TAX BILLTOTAL FIRST YEAR

	<u>Costs in Millions</u>	<u>Costs** in Millions</u>
Contract Payments (1964-65)	\$ 18.5	\$ 18.5
New Construction (Initial only)	\$ 39.0	\$ 13.0
New Rolling Stock	\$ 8.4	\$ 2.8
Railroad Tax Relief	\$ 9.7	\$ 9.7
	<hr/>	<hr/>
	\$ 75.6	\$ 44.0

FOR SUBSEQUENT YEARS, THE BILL COULD LOOK THIS WAY:

Contract Payments (To be reduced by any substantial savings in operating and other costs when and if the capital improvements and rolling stock items are approved by Federal and State Legislative bodies)	\$ 18.5	\$ 18.5
New Rolling Stock	\$ 8.4	\$ 2.8
Railroad Tax Relief	\$ 9.7	\$ 9.7
	<hr/>	<hr/>
	\$ 36.6	\$ 31.0

** Estimated costs under provisions of the proposed Urban Mass Transportation Act which would provide 2/3 Federal matching funds.

The estimates of new highway construction costs are not based on any thoughts of displacement of some 100,000 daily railroad commuters and suburban passengers. Thus there still would remain the possibility of heavier burdens and more traffic congestion on existing and proposed highways if suburban rail travel and rail commuting were eliminated.

Commissioner Palmer, in an address to the Institute for Rapid Transit in Washington, D.C., on May 10, 1963, said in part:

"Out of the total urban mileage in the nation, 4.3% carries traffic amounting to 40,000 or more vehicles per day. In New Jersey, the figure is 20.8%. This is the highest percentage in the nation--five times the national average.

"We are doing all we can to accommodate this tremendously dense travel within our small compact State by building highways in the areas of greatest need as swiftly as possible, but it is no secret that we are far behind the demand. At the present rate of accomplishment, it will take us many years merely to catch up, let alone provide for the anticipated great increase in traffic.

"Imagine then, our situation if we are forced to try and get along without the aid of our rail commuter lines. They now handle in excess of a quarter of a million passenger trips per day in New Jersey. Without the rails, these people would be forced to travel on our highways. Of course, some of them would use buses and thus somewhat diminish the impact, but there is no doubt that the congestion would still be tremendous. We would be totally unable to cope with it.

"Our direct aid to the commuter lines, in an effort to keep them alive until more permanent solutions to their financial woes can be found, amounts to approximately \$6 million a year. This is about the same amount that a mile of modern freeway in our urban area would cost the Highway Department to build."

Each segment of the State's population well could consider the entire transportation picture in the light of "What's in it for me?"

Who are the ones to benefit from continuation and improvement of suburban rail service in New Jersey?

Just a few of the groups could include:

Big Cities...

...now are faced with traffic strangulation, skyrocketing needs for parking areas, demands for more land for urban renewal and loss of ratables from highway construction.

Highway Users...

...now traveling on peak-hour jammed roads, are told by authorities that highways already on the drawing boards would be unable to carry predicted traffic loads when they are completed.

Auto Commuters...

... now well up to their hubcaps in traffic jams, as are

Bus Commuters...

...who are in the same predicament in peak hours.

South Jersey Residents...

...needing more highways for the swelling economy of the area, will need every tax dollar available for their interests.

Education Authorities...

...look to every available tax dollar. Purchase of the most transportation for the least dollars, could provide increased aid to education.

Rail Commuters...

...would benefit by continuation and improvement of service at the lowest possible personal and tax dollar cost.

Suburban Communities and Small Businessmen...

...well could look to the spending power of the commuter, to the land use saved from destruction by emergency highway needs.

Taxpayers in General...

...stand to benefit by choosing the low cost mass transportation by rail as part of a balanced transportation system for all residents--of the State--the commuter and the non-commuter.

The transportation problem must be solved in the public interest.

New Jersey's railroads are ready, willing and anxious to continue their role of public service, if the public is ready, willing and anxious to provide a realistic program of full compensation for these services.

APPENDIX A

PASSENGER SERVICE IMPROVEMENT CORPORATION

The first suburban transportation experiment on a contract basis with the City of Philadelphia began October 26, 1958 on the Chestnut Hill Branch of the Pennsylvania Railroad for the purpose of determining if the congestion in mid-city metropolitan areas could be relieved by stimulating use of suburban rail transportation. Fares were reduced as much as 45% and service was increased from 48 to 72 trains on weekdays with some additional service on Saturdays and Sundays.

Known as "Operation Northwest", this experiment was a joint undertaking by the City of Philadelphia, the Pennsylvania Railroad, the Reading Company and the Philadelphia Transportation Company. It represented the first continuing economic participation by a public governmental unit in the United States in contracting for suburban railroad service. Under the terms, the City was obligated to pay the Pennsylvania Railroad a portion of the additional operating costs incurred in providing the increased service. The Company assumed any revenue losses resulting from the reduced fares.

Encouraged by the success of this experiment from the City's standpoint, responsibility for contracting was placed in the Passenger Service Improvement Corporation of Philadelphia, with whom contracts began August 1, 1960. This non-profit corporation is headed by a fifteen-man Board of Directors, composed of eleven appointed by the City of Philadelphia, two chosen by railway labor unions, and one from each of the railroads. The PRR appointed Director is J. D. Morris, Director of Special Services. Receiving payments from the City for conducting the City's rail transportation program, PSIC contracts with the railroads for the operation of certain suburban services and at fares specified by PSIC. Services to Manayunk and Torresdale were covered by a contract with PSIC beginning October 30, 1960. Fares were reduced and the number of weekday trains increased from 19 to 28 on the Manayunk line and from 18 to 25 in the Torresdale service.

Under these contracts, PSIC received credit for the passenger revenues, the net revenue from paid parking lots on PSIC lines, and a pro rata share of revenues from car advertising. At the present time, these contracts primarily cover all costs, except maintenance of way, superintendence, overhead and depreciation. It is planned that in succeeding years, PSIC must assume larger proportions of the railroads' expenses for the purpose of relieving the railroads of all financial losses incurred in operating these passenger services, if the services are to be preserved and these contract programs are to be continued.

By including its suburban rail lines in a program of public support, the City will create a balanced and diversified transportation system and save the public money in the long run by increasing the number of persons coming into center city by suburban railroad. Relief would be afforded the City from the automobile traffic congestion on the highways and downtown streets, and further public expenditures for additional highways to carry the peak loads now being handled by rail would be avoided.

Volume on the PSIC contract lines has shown significant growth since the beginning of the experimental program in 1958:

PASSENGER SERVICE IMPROVEMENT CORPORATION (Cont'd.)

Average weekday volume for October - Operation Northwest:

	<u>Average Weekday Revenue Passengers</u>	<u>Percent Change Versus 1958</u>
<u>Prior to Operation Northwest</u>		
October 1958	5,629	
<u>Operation Northwest</u>		
October 1959	6,676	+ 18.6%
October 1960	6,773	+ 20.3%
October 1961	7,535	+ 33.9%
October 1962	7,762	+ 37.9%
October 1963	8,580	+ 52.4%

Volume on the Manayunk Line compares as follows:

	<u>Manayunk</u>	
October 1960	899	
October 1961	1,133	+ 26.0%
October 1962	1,050	+ 16.8%
October 1963	1,317	+ 46.5%

A total of 38 new air-conditioned, stainless steel MU cars have been purchased by the City of Philadelphia and leased by the railroad for use on suburban lines operated by PRR under contract with PSIC and SEPACT. The cars will be financed by the City with 25 year bonds at the City's low interest rate. The lease agreement provides that the cars, when not needed for contract operations, may be used on other suburban services in the Philadelphia area (off-peak service). Built by the Budd Company, all 38 cars have been in service since October of last year. They have had a significant influence on patronage of the services on which they are being operated.

Seventeen new cars of similar design are in operation on the Reading Company's contract lines under a like agreement with the City.

SEPACT (SOUTHEASTERN PENNSYLVANIA TRANSPORTATION COMPACT)

Encouraged by the results of the operations with the Passenger Service Improvement Corporation, and desiring to seek a solution to their transportation problems, Philadelphia area suburban counties (Bucks, Montgomery, and Chester) joined together with the City of Philadelphia to form Southeastern Pennsylvania Transportation Compact to coordinate their efforts and to develop plans for contracting with the railroads for the operation of suburban rail services.

The Housing and Home Finance Agency received from Congress in 1961 an appropriation of \$42-1/2 million, upwards of \$25 million of which can be used for grants to be matched with local funds for demonstration projects involving metropolitan area passenger transportation services. SEPACT received a three-year \$3,116,200 (two thirds) grant from HHFA for two mass transit demonstration programs in the Philadelphia suburban area. The participating counties will provide \$1,558,100 (one-third) for a total of \$4,674,300. Similar to the PSIC plan, Reading Company's "Operation North Penn" began October 29, 1962. PRR began "Operation Levittown" on December 3, 1962, superseding "Operation Torresdale" by extending to Levittown, 9 new weekday and 4 Saturday trains were added with fare reductions up to 45%. These projects also include free and improved parking lots.

An agreement has been made with the firm of Auto Parks, Incorporated, to lease the station parking lots at Levittown, Bristol, Croydon and Cornwells Heights. This is covered in the contract with Auto Parks and also contract with SEPACT for improvement and operation of the free parking lots during the demonstration program.

PRR will receive \$575,000 from SEPACT during 1964 for "Operation Levittown."

With the beginning of "Operation Levittown" on December 3, 1962, total passenger volume on the Philadelphia-Trenton locals showed another significant increase over and above that obtained with the beginning of "Operation Torresdale" two years previously. The first month, December 1962, saw a 26.7% increase over the volume of the previous year, and through October 1963, volume had increased to 913,311 passengers, compared with 536,635 for the first ten months of 1962, a 70% increase, of which 50% is attributed to the program.

Another program got underway on October 27, 1963, involving the Paoli and Media lines, for which the PRR will be reimbursed by SEPACT in the amount of \$181,000 for a twelve-month period.

FINANCING OF PSIC MU CARS

Agreements were signed February 8 and April 24, 1962 with the City of Philadelphia, providing for lease by the railroad of 38 new air-conditioned, stainless steel MU cars, for use on suburban lines operated by the PRR under contract with the Passenger Service Improvement Corporation of Philadelphia (PSIC) and the Southeastern Pennsylvania Transportation Compact (SEPACT).

The City purchased the cars from the Budd Company for \$9,438,000 (approximately \$248,400 each) and financed them with self-sustaining twenty-five year bonds at a rate of 3.76144% with provisions for equal annual debt reduction payments. Rental payments, covering the annual cost of interest and debt reduction are made by the PRR on or before five days preceding the day corresponding payments are due bondholders. First such payment will be due about March 1, 1965. For the period prior to the bond issue, PRR pays interest at 3-3/4%.

Under the annual contracts with PSIC, PRR can charge, as a reimbursable expense, under Account 538 (Rent for Passenger Train Cars), the rental payment for these cars on the basis of the peak-hour cars assigned to PSIC service. This provision also applies to the SEPACT contract.

If there ceases to be an agreement between either PSIC or a successor agency and the railroad as to services provided for PSIC, PRR has the option to purchase any or all of the cars for the proportionate outstanding principal amount of the City's bonds, plus accrued interest. If an Authority is created to take over the responsibility of PSIC, the Authority may assume this option and relieve the railroad of responsibility or the railroad itself may take the option. If an Authority is created and there ceases to be an agreement with PSIC, successor agency or Authority, PRR may exercise its option or terminate the lease agreement and return the cars to the City.

The lease agreement permits use of the cars in non-PSIC-SEPACT service when consists of contract trains have been filled with the new cars. Permission for such non-contract use has been granted by PSIC throughout the Philadelphia suburban area and between Philadelphia and New York. For non-contract use, PRR pays PSIC a rate beginning at 20¢ per car-mile and declining to 15¢ per car-mile, depending upon the miles operated and is in turn reimbursed by PSIC for the variable repair expenses incurred in such non-contract operation.

PSIC receives its funds for payments to the railroad from the City of Philadelphia, from credits for passenger service revenues received in contract operations, and rental payments for non-contract use of leased cars.

THE ASSOCIATED RAILROADS OF NEW JERSEY

Central R. R. of New Jersey
Erie - Lackawanna R. R. Co.
Lehigh & Hudson River Ry.
Lehigh Valley R. R.
New Jersey and New York R. R.
New York Central R. R.
Pennsylvania R. R.
Pennsylvania-Reading Seashore Lines
Reading Company