

SENATE TRANSPORTATION AND COMMUNICATIONS COMMITTEE

on

SENATE, NO. 1199

(Bus Service Reorganization Act)

Held:
May 27, 1976
Senate Chamber
State House
Trenton, New Jersey

MEMBERS OF COMMITTEE PRESENT:

Senator Herbert J. Buehler (Chairman)
Senator Peter J. Mc Donough
Senator Carmen A. Orechio

ALSO:

Assemblyman Michael P. Esposito

* * * *

SENATE REORGANIZATION AND COMMUNICATIONS COMMITTEE

201

SENATE, MAY 11, 1975

(For Service Reorganization Act)

Held:
May 17, 1975
George Chandler
State House
Trenton, New Jersey

MEMBERS OF COMMITTEE PRESENT:

Senator Robert J. Hughes (Chairman)
Senator Peter J. D. Murphy
Senator James A. Grady

Also:

Representative Michael P. Spence

* * *

SENATE, No. 1199

STATE OF NEW JERSEY

INTRODUCED FEBRUARY 19, 1976

By Senator DODD

Referred to Committee on Transportation and Communications

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

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

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

1 2. The Legislature declares and finds:

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

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

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

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

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

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

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

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

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

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

8 Nothing contained herein shall be construed to include:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

17 e. Designate assistants to conduct hearings;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

20 (e) Designate assistants to conduct hearings;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1 27. This act shall take effect immediately.

STATEMENT

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

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

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

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

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SENATOR HERBERT J. BUEHLER, (Chairman): I would like to call this meeting to order. This is a public hearing on the Senate Bill 1199 regarding the Bus Services Reorganization Act. Our first witness for Senator Dodd, the sponsor of S-1199, is Assemblyman Richard J. Codey.

RICHARD J. CODEY: Thank you, Mr. Chairman, members of this Committee, I want to thank you for the opportunity to appear before you today in place of Senator Dodd who unfortunately and regrettably is unable to attend in person to formally present his statement for the record, but I believe you do have copies of that in front of you.

I would just like to make a few very brief remarks in support of Senate Bill 1199. As you will observe upon reading Senator Dodd's prepared statement, his motivation in introducing Senate Bill 1199, the Bus Services Reorganization Act, was a simple harsh fact that the bus subsidy program that began in crisis seven years ago to deal with emergency conditions has now become a permanent program of state government, a program which is operated in ways that appear to do more to perpetuate that crisis than to resolve it. The principle problem with DOT's present bus subsidy program is that the Department has no clear idea of which bus routes run in New Jersey are essential, which are unnecessary or duplicative, which can be run by unsubsidized carriers, and which will require state financial support to continue service. In short, DOT has no overview of bus transportation services in this State, and although successive commissioners of transportation have promised such an overview, over the last seven years, we have spent more than \$1 million in bus subsidies since 1969, and we are now being asked for between \$40 and \$50 million more this year alone, without any clear idea as to whether or not the services we are supporting are generally serving the interest of the bus riders and the taxpayers of this State.

Senator Dodd's bill 1199 accomplishes, as his statement notes, two principal objectives totally lacking in the bus subsidy program administered today by the Transportation Department, and they are control and flexibility. Control is accomplished by requiring every bus carrier in New Jersey, both those receiving subsidies and those which do not, to operate only on those routes designated in the bus services plan which will be prepared by the bus services administration board created by Senate Bill 1199, and then only with a contract obtained on the basis of competitive bidding from the bus services administration board. Flexibility is accomplished in the conduct of such competitive bidding on the basis of service variables applicable to the particular route being bid. Senate Bill 1199 eliminates the vital responsibility for bus operations by placing every bus carrier in New Jersey under the supervision of the Department of Transportation.

Senate Bill 1199 replaces the inefficient incremental incoherent subsidy program now operated by the Department of Transportation with a service system whereby buses will operate on routes determined to be necessary to serve the public interest. S-1199 will eliminate the unconscionable practice of permitting subsidized carriers to operate on routes in competition with non-subsidized carriers.

Perhaps the most important effect of S-1199 will be that its enactment will permit the State of New Jersey to note for the first time just what kinds of bus services it needs, how much those services will cost, and how well those services will be operated. Senator Dodd's statement discusses the provisions of Senate Bill 1199 in detail, and I commend it to you for your consideration.

SENATOR BUEHLER: Thank you, Assemblyman Codey. Senator Mc Donough.

SENATOR MC DONOUGH: I just have a few questions. I don't know how aware you are of what Senator Dodd intends to do, but there are a couple of questions that concern me. One is, aren't all the bus lines licensed somewhat the same as an alcoholic beverage license,

or a license to do business? In any event, it is a license that has some value, and if this is the case, do we intend to buy up these licenses and pay these companies for this asset that they will be giving up to us under this control?

ASSEMBLYMAN CODEY: I don't think we intend to buy them up, per se, just to find out which ones subsidized now are not needed, and which ones operated privately can provide that service without us being in competition with them.

SENATOR MC DONOUGH: Well, isn't this authority going to do more than that? Aren't they going to control the entire operation of the buses in the State, as another authority may do?

ASSEMBLYMAN CODEY: They will control all the buses.

SENATOR MC DONOUGH: Will they manage the buses, or will they manage these lines such as CONRAIL is doing now?

ASSEMBLYMAN CODEY: No, it is not the same concept at all, Senator.

SENATOR MC DONOUGH: Are you aware that there was money put up about four years ago for a survey, an engineering firm's report on facilities, the condition of our equipment, and also a study of the lines, the duplicating lines, and also the possibility of places where there were no lines? I serve as an example Kenilworth, New Jersey, where, if you are a senior citizen and you don't have a driver's license, there is no way to get out of town. There is no kind of service whatsoever. We have put up money for that, and we still have not had any final report back, and this is at least three years ago. Are you people aware that the study is somewhere?

ASSEMBLYMAN CODEY: I am not aware, but I am sure probably the Senator is. I think the example that you raised is a problem because many of our bus lines are still in old urban areas where people have moved out and bus lines are not truly needed, and now they are needed more in the suburbs.

SENATOR BUEHLER: Assemblyman, I am sure that Senator Dodd is aware of the great concern that the Department of Transportation has regarding S-1199, and I would hope that you will be able to spend some time with us this morning to get a balance of the entire picture. I know that you are in committee, but if you would be able to spend some time, just to hear a few of our witnesses, so that we could have a little dialogue on the issue, because I think it is a vital question. It has received a great deal of public attention in the last several weeks in particular. There has been a lot of misinformation. There has been a lot of coverage that is not necessarily all based on factual information, and I think it would be in the interest of Senator Dodd, if we could put the pieces together. He appeared before our Committee, as you know, and he was very much concerned about the fact that several studies had been done in New Jersey regarding mass transportation, and he feels very strongly about his bill and the time for action, he believes, is now. I would hope that if we accomplish one thing this morning that we do have an open dialogue on the issue, so that we can get all the facts on the table. I have no further comments, but I would appreciate it if you or Mark Reifer, who ever is going to be standing by for Senator Dodd, would remain to hear some of the other witnesses.

ASSEMBLYMAN CODEY: Yes, I will be going back to Chair my committee, but I assure you that members of the Senator's staff will be here.

SENATOR BUEHLER: Thank you. I would like to call on Commissioner Alan Sagner, Department of Transportation.

COMMISSIONER ALAN SAGNER: Good morning, I regret that my statement has not been duplicated in time to give you a copy. I had many thoughts as to what to say today, and I kept changing what we had drafted, and I didn't finish this until very early

this morning, but I will have copies available for you in a few hours after I leave here.

I welcome the opportunity to appear before the Committee and comment on S-1199. This bill was brought to my attention by a letter from J. Mark Reifer of the Legislative Services Agency on March 19, 1976. I would like to quote that letter, "Dear Commissioner Sagner, at the request of the Honorable Frank J. Dodd, Senator, District 26, Essex County, I am enclosing herewith two copies of the typewritten draft of legislation which would substantially revise the present bus subsidy program in the State of New Jersey as administered by the Department of Transportation. This legislation was introduced in the Senate on February 19, 1976. The Senator expects that the bill will receive serious consideration by the Legislature which he feels the subject matter deserves. Since you are obviously intimately involved in these matters, and since your expertise in transportation concerns would be particularly helpful in the Legislature's consideration of this proposal, Senator Dodd would be very grateful for any comment you may wish to make. Enclosed legislation was prepared in this agency. I hope you will feel free to contact us if you think there is anything we may do to be of assistance in your review and evaluation thereof."

I read S-1199 and reviewed it quickly with my staff, and responded on March 10th to Mr. Reifer, saying that I receipted his letter of February 19th, and "I would appreciate it if you would convey our position to Senator Frank Dodd. We have expressed on a number of occasions to the Legislature and to the public that we are aware that the present subsidy system passed by the Legislature as an emergency measure is in need of review and revision. For that reason, we have announced that we are requesting proposals from a group of consulting firms to present us with an analysis of the present program and recommendations for its revision. We expect to review these proposals before the end of this month, and receive their recommendations in time to present them to the Legislature this Fall; therefore, I would request that Senator Dodd hold off on any plan until we have had a complete analysis upon which to base it. If the Senator would like to discuss the matter with me, I am available at his convenience."

On March 16th I received a response from the Senator, "Dear Commissioner Sagner, I have received your letter of March 10th concerning my Bus Services Reorganization Act, Senate Bill 1199. With respect, Commissioner, I find it difficult to believe that you are seriously suggesting yet another study" - with the emphasis on "another study" - "necessitating yet another delay" - and the emphasis on "another delay" - "in legislative action concerning the present bus subsidy program implemented by your department." I would just like to interject something. It is not in the letter, but in Mr. Codey's comments, and in this letter there is an implication that this present subsidy program is a creature of the Department of Transportation or of this administration's Department of Transportation, which is not the fact. It is a creature of this Legislature.

"Surely you are not suggesting that the proposals contained in my Bus Services Reorganization Act are so revolutionary, so outrageously radical that you cannot evaluate them without 'requesting proposals from a group of consulting firms' that you submit in your letter of March 10th." I again would like to pause, gentlemen, and say that I believe that the good Senator has suggested his adjectives quite carefully and correctly. I do say that this plan is revolutionary and radical and perhaps in the pejorative sense of those words, as we will demonstrate shortly. However, back to the letter.

"Commissioner, the fact is that my Bus Service Reorganization Act is merely the statutory implementation of studies and reports you have already received, both from your Department's own consultants' immediate action plan of March, 1974, prepared for the New Jersey Department of Transportation by Wilbur Smith and Associates or from the Office of

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

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

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

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

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

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

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

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

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

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

\$70,000. And to the layman, and to one who does not sit in this chamber, and to one who has not read the reports of the Department, perhaps that can be an alarming and confusing statement of fact. But if you had read the rest of the article, you would find it was reported in the continuation of the article that the company reported a loss of \$400,000 in 1975. So, therefore, the difference between 1975 and 1976 was \$600,000 - not the difference between \$70,000 and a million dollars. But from one year to the next, \$600,000.

This company's operating budget is \$7 million. Now, if in 1976 they projected a 10% increase in costs in a period where we are having a great deal of inflation, a 10% increase in cost on a \$7 million budget is \$700,000. So the increase that we agreed to permit them of \$600,000 is not something that in my opinion should make headlines in and of itself. It does represent a large increase in our subsidy program, going from \$400,000 to \$700,000; but in cost of operating the company with the inflationary costs of labor, material, equipment, this is not an excessive amount.

My final comment on this article concerns the question of executive salaries. Let me assure you, gentlemen, that all salaries are carefully scrutinized by the auditors for the Department of Transportation. All payments are subject to audit. That is, although we grant and pay on a monthly basis what we have agreed to in the beginning of the year based on the projected costs, the State reserves and does take back any monies that a final audit determines were not properly earned. All payments are subject to audit, and any salaries that are not for services actually performed are disallowed. In many companies the owners and officers are performing services that would be allowable and reimbursable for whomever performs them, whether they be an officer or employee, and if not, they are not paid. All payments and requests for payments are subject to audit and recaptured if not justified. I will say, gentlemen, that it would be "waffling" and "an insult to this body" if I claimed that we or our system is infallible. Our staff of auditors and administrators in the Department of Public Transportation, however, do in my view a magnificent job.

I would like to stop here and repeat what I said before. Before I entered state government, I had heard stories about bureaucratic inefficiency, particularly from those who resented paying for the cost of government, although our cost in New Jersey is among the lowest in the nation. But it has been a gratifying experience for me in these few years to observe the dedication and sincerity of the men and women working for the Department of Transportation. I will match their performance and dedication against those in any comparable organization, public or private. However, they are understaffed and overburdened by the increasing volume of responsibility.

In 1975, I requested 68 new positions for the growing responsibilities of the Department of Transportation, and because of fiscal limitations I received 33. In 1976, I requested 50 additional positions and I received zero. On November 11, 1974, in my budget statement to the Joint Appropriations Committee I said, "As in too many areas, we tend to be penny wise and pound foolish in providing the resources for budget analysis, industrial engineering, managerial reporting systems, audits and improved accounting. If the totally negative skepticism of the public about government is ever to be dissolved, then the public must also be willing to pay the price for intelligent planning, management, audit and control. We will have no one to blame but ourselves if, in order to save a few million dollars in this area, we waste many millions of dollars because planning has not been properly coordinated, because research has not developed more cost effective options, because industrial engineering has not undertaken the types of analyses which show how to get more work done out of the same manpower, because accounting and auditing has done with

four junior auditors what a dozen senior auditors should have done." That was my statement before the Appropriations Committee November 11, 1974.

Now to get to the question of studies. What has been done to date, and what are we proposing to study before this honorable body should seriously consider passing a transportation bill? As everyone knows, the subsidy program for public transportation service in New Jersey is small and operates under legislation that never contemplated its current dimension or its prime importance. Over the years, the program has grown beyond what the original legislation contemplated, and it is now obvious that public assistance is essential and that a new format is needed if we are to provide sufficient service to meet the needs of the people of this State. This situation is not unique to New Jersey.

Assemblyman Codey and Senator Dodd in their correspondence and in Assemblyman Codey's statement referred to plans of previous commissioners and previous studies, and I am at a loss to identify the plans of previous commissioners or of studies that will give us the information that we need. In 1972, as it became apparent to the preceding administration that this program was going beyond what was originally contemplated, it was decided to do an inventory of the public transportation in the State. Until that time, no one in the State of New Jersey had an inventory of how many companies, how many buses, and basically what they did. The firm of Wilbur Smith was commissioned to do this study. This study, known as Phase "A" of the Statewide Bus Study, was financed with UMTA support and was completed in the August of 1974. There was, I believe, some delay completing that study. It was started in 1972 under Commissioner Cole. All of you recall that in 1973 Governor Cahill lost the primary and many things - I don't know about other departments - in the Department of Transportation were let slide as people began to look for new jobs, because they knew regardless of the outcome of the general election they were not going to be there. That is understandable. When we got into office in January of 1974, this scheduled work that was contemplated by this study was behind schedule, and it was pushed by us and completed in August of 1974, and it basically told us what was out there, how many routes, where they were run, how many buses, where are the garages, what are the fares. This study had never been done before, and this was an essential first step.

Also included in this report were some immediate action proposals, some of which we undertook, others we did not undertake because we did not have the manpower nor the finances to do so. When this study was approved by UMTA and originally organized, it was contemplated that this would be, as I said, a preliminary or Phase "A", and there was also contemplated Phase "B" which was started in March of 1975. This study was designed to do what so many have called for and in fact what is called for in S-1199. This study was designed to improve the service that we had in five major service corridors in this State, to examine what the preliminary study indicated to us, that there was possibly some redundancy, some duplication, and there were some obvious gaps in service. A detailed study had to be done.

I would like to show you the dimension of this study. This, gentlemen, is a study for just one corridor. It might be of interest to the Honorable Chairman of the Assembly Transportation Committee that this is the study for the Urban Corps, Jersey City and Bayonne. It was delivered to us, and it is being reviewed by my staff. Public hearings were held, bus operators were interviewed; routes were examined; duplication of services was analyzed, and firm recommendations had been made for rationalizing bus service on the main corridors of the State.

How you can produce a master plan for transportation without this information, and with any sense of responsibility, is beyond me. This information is now in our hands.

Recommendations in these studies, which also discuss the interrelationship between bus and rail, are now in our hands, and the recommendations will be implemented in our new contracts effective July 1, and/or throughout the summer. This type of study had never been done before, except with some analysis of the feeder bus system in South Jersey that was done by the Office of Fiscal Affairs.

This type of information is the foundation for a master plan or a statewide bus system as contemplated in S-1199. I recognize the merit in such a plan as contemplated in S-1199. The other studies underway now, to be completed by this Fall are: Number one, a study to establish standards for payment, and an incentive mechanism to reward good performance and to punish bad; to pay for service, not to fund deficits.

We have been discussing with the carriers how we could pay a bus operator by a system other than our present deficit payment, which we agree is not a system that is conducive to an incentive for a better performance. What we are looking for is a standard that would be applicable to the types of service that would provide an incentive, would be fair to the taxpayers of the State, in that they would not be overpaying, but also would be fair to the carrier, in that he would receive a fair return on his investment, an incentive to do a good job. That study is underway, and it requires expertise in accounting, and the bus operation that we believe we have under contract.

Number two is a study by the staff of your own Musto Commission under contract to us to make recommendations on the role of local governments, including counties, in transportation. It was expressed by this Legislature that the counties contribute a share toward the cost of transportation, and we believe that is a good concept, but how do we ask the counties to pay a part of the cost, unless they are involved in the planning and in the continual review of what they are paying for. Who speaks for local government? Is it the elected officials? Is it the freeholders? Are there citizen groups? How do we combine them with the role of State government? We hope that the Commission will be able to give us a program to do that.

Number three, finally, using the two above analyses as input, we have undertaken a study to address two very significant questions: A, how should we organize these transportation services? Should we have a statewide authority as has been suggested by those outside of the legislature and members of the legislature? For rail and bus, should we have separate authorities for each? Should they be statewide, regional, or county authorities? Shall we continue to have the buses operate as private carriers, or should there be public ownership, or should there be a mix of private and public ownership? What has been the experience in other states? What would be the advantages and disadvantages of the various alternatives?

Finally, and I think it is of great importance - it doesn't seem to have been touched upon - how should we finance public transportation services? Should we do it as we do now, out of general revenues? Should there be a special statewide tax? Should there be a regional tax, as many states have, in the catchment area of the service, based on a property tax or a local income tax, as there is in some places? Should there be a series of regional taxes? What is best for New Jersey?

It is my view that these studies, none of which duplicates the others, none of which has been done before, all of which are necessary inputs if we are to make intelligent and responsible decisions about transportation services which are such an important part of the economic infrastructure of this state, should be completed before any major actions are undertaken by the Legislature. I would not ask you to bear with me and postpone any actions until the studies were completed if there were no end in sight, but there is. I

think it is important to repeat that they will all be completed by the Fall of this year. As I have indicated to you, Mr. Chairman and to Chairman Esposito of the Assembly Transportation Committee, we want to work with you, and we need your input on these studies, so that we can have a legislative program ready to be enacted in the Fall. We do not want to do these studies in a vacuum and then spring them on the Legislature and the public. We not only ask, as I have explained to you in our meeting, that representatives of the Legislature meet with us, but that representatives of the industry, of the public, and of local government have an integral part in the development of this plan. In the end it is you who will have to make a decision which will have a significant impact on our State. I ask you not to do this in the dark.

We all would like to do things faster, but in the longrun it is more important that we do them right. Mr. Chairman, regarding the specific bill before you today, I have a great deal of difficulty commenting on it. The reason for the difficulty is that it raises more questions than it answers, which is understandable, and we don't have the answers yet. That is precisely why I have ordered the studies that I have just described to you.

But briefly and in conclusion let me make a few comments on the bill which its sponsor says would be 100% improvement over what we have now. First and foremost, what will it cost? It is not obvious to me that it will cost less for the same amount of services and level of fares that we have now. It might cost less, but it also might cost more. Certainly, if it is encompassing, as it calls for in Section 9, which is an admirable objective, it will cost much, much more. And if so, which types of service will have priority in the funding scheme, or will they all be funded? Are there enough efficient, aggressive operators in the State to assure that competitive forces will operate? The thrust of this bill is to reorganize a non-purposive array of bus companies and routes into a regional system of motor bus transportation. This is a laudable objective. It resembles, in some measure, a proposal that was offered to me by my staff some months ago. That proposal, as well as S-1199, as well as other proposals that we have, should be reviewed by our consultants before a decision is made.

In addition, I am troubled by the apparent disregard for the constitutional claim which is, I am sure, to be raised by the holders of ICC and PUC certificates of public convenience and necessity, that this plan amounts to a taking of their franchise by government without just compensation. Any restructuring of the bill must address this issue. Moreover, a considerable amount of legislative, legal, and financial research is required to ascertain the nature of the taking proposed by this proposal and the fiscal effect of it. Gentlemen, this bill is a booby trap, beware.

In addition, one significant apparent deficiency of the bus service reorganization act is that it defines bus in Section 3b as a vehicle operating in intrastate business. Although the matter is not entirely clear, it appears that the bus service administration board created under this bill would have authority to award contracts and routes designated in the bus service plan only for intrastate operations. Any redesign of bus transportation in this state must be far more comprehensive than just one that addresses intrastate routes. Interstate and intrastate services are inextricably related to one another and to the rail transportation system in this state, and all planning with respect to public transportation and restructuring must encompass as many of these aspects as possible, so they can't be done in isolation- intrastate reorganized without respect to interstate, and without respect to rail service.

Another point that I would like to note in passing is that there is no mention in this proposal as to what would happen to the union contracts on those lines that are

to be so cavalierly discarded, and what would happen to the pension rights of the people employed by those lines? The implications under the grants that we have accepted to date from the Federal government under the 13c arrangement are too frightening to contemplate. The BSRA is deficient in that its planning process does not permit the development of plans for regional transportation authorities to operate bus services in areas where this may prove to be uniquely appropriate.

The final bus service plan does not specify a suggested form of service contract with emphasis on standard compensation, return of investment, and Senate procedures. I will leave out some of the more detailed criticisms, gentlemen, which I will give you in writing in the interest of time.

Section 18 permits any county or municipality the absolute and - as far as I can read - the unlimited and unconditional right to establish additional bus services other than those in the State bus plan. No provision is made for coordination of this service with the system to protect against skimming off of the traffic and making the operation of the statewide system impossible.

Gentlemen, in conclusion, I happen to have a strong bias for the private market system. I generally favor the concept of private, profit making operations implicit in this bill; however, it doesn't always work. We don't know if we can make it work in New Jersey. I respectfully suggest that a significant amount of work is necessary to answer many questions before we can be convinced that S-1199 offers the people of this State 100% improvement over what we have now. I will be glad to answer any questions.

SENATOR BUEHLER: Thank you, Commissioner. I would like at this time to introduce the members of our hearing group, Senator Pete Mc Donough, Assemblyman Michael Esposito, Chairman of the Assembly Transportation Committee, and Senator Carmen Orechio on my right. Are there any questions, gentlemen. Senator Mc Donough.

SENATOR MC DONOUGH: Commissioner, I very much agree with your attitude on the ICC control over our bus lines. I am sure it would take much precedence over what this bill could possibly do. I also agree that we will have tremendous trouble in the reorganization as far as 13c is concerned, because I watched it, and we talked about it with the PATH program, so I understand the agreements that have to be made in order to comply with 13c. That is a five or six year agreement, isn't it?

COMMISSIONER SAGNER: When you accept the Federal subsidy capital, the employees in the company are protected for six years. No one knows yet what that means, but implications that a two-year rebidable contract would be difficult to appreciate.

SENATOR MC DONOUGH: I know you are not supporting the bill, but I am asking you this, because I don't know the answers myself. How often in this bill would these bus lines be rebid?

COMMISSIONER SAGNER: I am not sure. I have read the bill several times. As I understand it, the contracts would be for two years, the implication being that they then would be rebid at the end of two years.

SENATOR MC DONOUGH: What would happen in the case, as you understand the bill, where there was no bid that came in on a certain line. It wasn't a profitable line, and there is no way it can be profitable, but yet the service would be necessary. I will again go back to Kenilworth where it might be very totally unprofitable, and that is probably why they don't have a line there now, and yet the service is necessary.

COMMISSIONER SAGNER: Well, I think, with respect to the bill, it does contemplate that the lines that would not be profitable, the bidder would come in and

state that he would provide the service, provided he will receive "x" amount of subsidy. So there would be lines that people would bid for on a basis that they would not require any subsidy to profitable lines, and how they would compete is not quite clear to me. Suppose there is a line that is profitable and two or three companies want to bid for that line - there is no contemplation in the plan that they are paying the State for that privilege. That is not outlined in the bill. Would they compete on the basis of offering to provide the service at lower fares than each other, and that would be the basis of the competition? I don't read anything in the bill that describes on what basis the competition will be. I can see that lines that are not profitable would be bid on, and the company would propose to take this line from Kenilworth to Elizabeth, for example, provided the State provides them with a certain amount of subsidy.

Then, of course, in that case, all of the auditing and policing that is present under the present subsidy system would have to be done to make sure that there were no windfalls.

SENATOR MC DONOUGH: I just have a few more questions. About four or five years ago, that is, when you finished the Bateman Report on education, and we came up with an incentive grant program or carrot-type formula of education, I introduced a bill in the Assembly, at the time when I chaired the Transportation Committee there, calling for an incentive or carrot grant type program in the transportation system, so that these people who were investing in buses would have the incentive to do better, and if they did better, they would get more. Do you think there is any possibility, either through this legislation or through your DOT, that this is feasible?

COMMISSIONER SAGNER: I hope so, Senator. We had discussions with members of the industry about a year and a half ago about such a plan. I had hopes that such a plan could be developed. The problem is, as I said, developing a fair yardstick.

For example, if someone runs a bus from Asbury Park to the bus terminal in New York, closed door, he has a certain cost of operation per mile or per passenger mile, whichever yardstick you are going to use to pay him. If you take that service and compare it to a service running, say, through Senator Orechio's area, through Nutley, Bloomfield, down to Bloomfield Center, for example, where you have a number of people on and off, and there is no long, continual haul, you couldn't use the same payment per mile or per passenger mile for one service or the other. It would be inequitable in one case, or a windfall in one case. We have various types of services in New York which are that distinctive, and some that are a combination. We have some lines, for example, in Bergen County that run a transit type of service to a certain point, and then they are closed door onto the Turnpike and into New York. We have others that are out of terminal, closed door, all the way to New York.

What we have asked our consultant to do, in the study that is now underway, is to examine the different types of service, examine the cost of operation, and see if we can find a minimum or reasonable number of yardsticks that we could use that would be equitable to the carrier, where we could say to a man, "This is how much we are going to pay you for providing this service, and it should provide you with a return on your investment and a reasonable profit and run with it. If you can't hack it, then get out."

SENATOR MC DONOUGH: You have talked about the Wilbur Smith study, which was initiated under Commissioner Cole, and the then Commissioner Qzzard, also, of the PUC. I have asked for it on several occasions. I didn't realize that one quarter of it was that thick.

COMMISSIONER SAGNER: That is only one-fifth of the study.

SENATOR MC DONOUGH: You say now that is about to be complete or it is completed?

COMMISSIONER SAGNER: They are just about all being finalized and they are being reviewed by the staff, yes.

SENATOR MC DONOUGH: I would like to go on record as asking for a synopsis of it rather than anything that weighs that much. Is there going to be a conclusion that we can understand and read and study?

COMMISSIONER SAGNER: Assistant Commissioner Stangle would like to answer that.

P E T E R S T A N G L: Yes. I might add that we will be going public on some of this before the COA. We will have to make recommendations to the COA also, but even prior to that we will be synopsisizing basically what is in there.

SENATOR MC DONOUGH: It has been a long time since I have asked for it, and I have asked several times for it, and you keep telling me it is going to be done. Maybe by the institution of this bill we will get that done.

MR. STANGL: We will send copies to both committees.

SENATOR BUEHLER: Commissioner, you said this study would be completed in the Fall. What is the estimated cost of this study?

COMMISSIONER SAGNER: The basic study of the system, as I understand it, will be about \$50,000.

MR. STANGL: If I could basically sum up the group of studies that are being done, Senator, the total cost for the Wilbur Smith study is approximately \$800,000 and maybe a little bit over. It will be financed partially by UMTA, and partially by us, but mostly by UMTA.

The cost of the study that we have with the staff of the Musto Commission, which is on the role of local government, is approximately \$70,000. These are upset prices.

SENATOR BUEHLER: Based on the results of the study, what would be a reasonable time table to implement the results of that study in the Fall? How long will it take?

COMMISSIONER SAGNER: Well, we hope to get from these studies not just recommendations, but we will be working with the Transportation Committees, and we will have prepared, in cooperation with the Transportation Committees, draft legislation that we hope could be introduced in the Fall session of the Legislature, so that when we go out for contracts in fiscal '78 - this July we will go out for contracts for fiscal '77.

SENATOR BUEHLER: More specifically, you said that it is possible the study could say that it would be better for us to go to either private ownership or public ownership.

COMMISSIONER SAGNER: That's correct. That would be contemplated to be done in the fiscal year following the one coming up.

SENATOR BUEHLER: Is it also possible that the study might want to divorce the relationship between the PUC and the DOT and just put it in one department?

COMMISSIONER SAGNER: That is pretty much a foregone conclusion. Before President Grossi left the PUC, we were pretty much in agreement that whoever was responsible for the subsidy program should be responsible and take over those duties of the PUC. In fact, draft legislation had been prepared to be introduced, but we thought we would wait until this Fall and introduce all the legislation at one time. We agree with this bill in that respect. We think one agency should have complete control of the program.

SENATOR BUEHLER: It is safe to say, Commissioner, after you and I have been in office for two and a half years, that some of these hard decisions have already been contemplated and possibly already concrete, but the study will only confirm what you already know.

COMMISSIONER SAGNER: Some parts, yes. But we would like to test our judgement by someone taking an overview of the things that we propose, and the things that we don't have the answers for.

SENATOR BUEHLER: Thank you, Commissioner. Are there any other questions from the panel? Assemblyman Esposito has a question for you. By the way, Commissioner, was that question on the bill that we should beware of a booby trap, or booby trap beware. I didn't get the context of that. There is a difference, you know. I don't know whether you could see that phrase at five o'clock this morning, or what, because booby trap first, and the beware after seems to me to be an afterthought.

COMMISSIONER SAGNER: I wish my solace could be recorded.

ASSEMBLYMAN ESPOSITO: Commissioner, just for the sake of the record, I am groping for answers. You talk about a certain company whose total cost of operations is \$7 million, and you say that their subsidy is only \$600,000. Do you say that compares favorably with \$700,000 which would give them a 10% increase because of inflation and include their operating costs? Now, I see where the certain company has three principals in the company, and they get a salary of \$360 --- excuse me, not three principals, but six principals, and they get a salary of \$363,000. Could it be possible that maybe the \$7 million figure from the previous year could have been padded?

COMMISSIONER SAGNER: Well, I don't know what you mean by padded. I made it quite clear that salaries will only be paid for people who are performing services. We have some very small companies whose business might be a couple hundred thousand dollars, and there are two principals drawing salaries, say each one is \$20,000 which is a higher percentage of overhead than the example that you gave. But one of those principals might be the active manager of the company, directing traffic, answering the phone, ordering the gas, watching the payroll, and the other principal might be a mechanic, and they happen to own the company, and that is what they do. They are officers of the company, and they draw a salary for the work that they do, which is a fact in many cases.

Now, in the particular case that we are referring to, I want to repeat, each person who is drawing a salary should and must be responsible for a reimbursable part in the operation of that company, whether it be traffic, labor relations, management, purchasing. Whatever his job is, he should be drawing a salary commensurate with the responsibility for that job for a company of that size. If not, his salary will not be allowed.

SENATOR BUEHLER: Commissioner, with all respect to Chairman Esposito, I would like our remarks directed to the Senate Bill at this time. I think to explore specific areas will lead us off the bill. Are there any further questions? Senator Orechio.

SENATOR ORECHIO: It is fair to assume, then, that this study that is coming out in the Fall, hopefully, will cover the whole spectrum of subsidies, and give pretty much a definitized program of what the ills of the present program are, and what the solutions will be to cure the present program? For example, it will zoom in on whether or not the continuation of the subsidies to the private sector ought to be continued, or whether or not the state will be involved in a complete program, or whether or not it will be done on a collective basis.

COMMISSIONER SAGNER: Correct, sir.

SENATOR ORECHIO: And basically that pretty much ties in with the aims of this bill in a sense, and we are preempting that report.

COMMISSIONER SAGNER: I don't agree with you. I don't think this bill gives us the answers to all the problems that face us in the subsidy program. It doesn't tell

us where we are going to get the finances. It doesn't tell us what to do in an area where we don't get a bid. It doesn't tell us what to do with the franchises that are existing on routes now. I am not saying that this concept of bidding for routes is not without merit and will not be examined, but it is only one approach and one possible solution to the subsidy program. It is not a definitive program that answers all the questions that reasonably should be asked of the subsidy program, and it is for that reason that I requested Senator Dodd - not that we dismiss the concept of bidding for routes out of hand, but there are implications in that that are unanswered in the bill. We don't have the answers to those implications. We would respectfully like to have this proposal studied along with other plans that other members of the Legislature have talked about, a statewide authority, a regional authority. All those are worthy of study.

SENATOR ORECHIO: At any rate, that report is going to be comprehensive.

COMMISSIONER SAGNER: Yes, sir, specifically including S-1199.

SENATOR BUEHLER: Thank you, Commissioner. Our next witness is Frank Gallagher, New Jersey Motor Bus Association.

FRANK GALLAGHER: I am pleased to have this opportunity on behalf of the New Jersey Motor Bus Association to discuss Senator Frank Dodd's Senate Bill 1199. My name is Frank Gallagher, and I am Chairman of the Board of the NJMBA. I am also Vice-President of Community Bus Lines of Passaic, which is a subsidized carrier.

Our association also includes unsubsidized carriers, as well as companies engaged entirely in charter operations. Almost half of the bus service in New Jersey is provided by our 92 member companies.

Bus service in this State, particularly that funded under the subsidy program, has come under considerable public attention in recent weeks. We welcome this attention, and hope it will foster improvement in our often neglected sector of public transportation. Indeed, Senator Dodd's legislation includes proposals that could bring such needed improvement.

These days, it is common knowledge that the subsidy program grew from its modest beginnings with little apparent long-range planning. Few argue that the subsidy program is not needed, that the State shouldn't attempt to preserve essential services and keep fares at reasonable levels. But there is a question as to exactly what services are essential. The question is particularly relevant in situations where you have unsubsidized companies in direct competition with subsidized carriers over the same routes, or two subsidized companies, each losing money on the same line.

While the question may seem simple, I am sure you will find that it demands a complex solution. That is why we endorse an in-depth study leading to a rational bus service plan. Senator Dodd's bill proposes such a review, but we understand that the Transportation Department already has three such studies underway. We caution against a counter-productive proliferation of studies.

The ongoing studies, we are told, are intended to develop an inventory of existing resources, a market survey of where they are used, and where new service could be introduced, and a proposal for developing publicly operated transportation authorities. Without this information, it would be impossible to develop a plan that on the one hand will help keep unsubsidized carriers viable, and on the other, offers incentives to subsidized operators to improve service and ridership.

We realize that the Transportation Department has a record of studying problems a lot and solving them a little. But, as I already noted, this is a complicated issue. Hopefully, the Legislature's interest will spur the department to more conclusive action this time.

We are not sure, however, that the studies will produce an element that should be fundamental to any state program, namely, meaningful rules and regulations. We noted at a hearing of the Assembly Transportation Committee that New Jersey today is operating a \$60 million-plus bus and rail subsidy program without one line of regulations. This has caused tremendous problems, both for the carriers and the State, in determining operating costs eligible for subsidy. Isn't it about time we knew the rules under which we are expected to operate?

For any new plan to be meaningful, we believe it is necessary that bus services be administered and regulated by a single State agency, such as provided in S-1199. Today, as you know, administration is divided between the Board of Public Utility Commissioners and the Commuter Operating Agency in the Department of Transportation. The PUC regulates fares and services of the unsubsidized companies, while the COA manages the subsidy program and regulates fares and services of subsidized carriers.

This is one of the reasons why unnecessary competition between the two groups of carriers exists. The left hand doesn't know - doesn't have the manpower to keep track of what the right hand is doing. We believe that a single agency can coordinate services to preclude wasteful competition.

The crux of the problem, of course, is determining where and to what extent bus services should be expanded, consolidated or eliminated. And, once these determinations are made, how they can be put into effect.

In this area, we believe S-1199 falls short of a practical solution. The bill mandates that a comprehensive bus services plan be adopted whereby the State awards contracts under competitive bidding for all bus routes in New Jersey. But the bill fails to mention how existing companies would be reimbursed for the routes they lose through the State-mandated reorganization.

We wonder whether this omission was intentional? Surely the Legislature must recognize that route rights and franchises represent considerable equity for all carriers, subsidized and unsubsidized. Without such rights, bus companies simply would be gypsy carriers operating pell-mell throughout the State. While rights were developed primarily to assure an orderly public transportation system, it should be obvious that they are worth a good deal of money to the carriers. This applies regardless of whether the rights originally were awarded by or purchased from a governing body, or bought from another bus company.

Certainly, some routes are worth more than others. Many unsubsidized routes are profitable throughout the year because of the numbers of passengers they serve and the fares in effect over those routes. Some subsidized routes would be profitable if higher fares were permitted, or if services were cut back to peak hours; they are operated under subsidy because the Legislature and the Department of Transportation have determined that it is in the public interest for a certain level of service to be provided or for lower fares to be maintained. Other routes are unprofitable for a variety of reasons; yet, even these represent a certain equity.

I think you will agree that the State has neither the power nor the right to confiscate an individual's or company's property without cause, and then to sell it. Yet, this is what S-1199 seems to be aiming at with its lack of provision for reimbursement. Therefore, we ask the committee to amend the bill appropriately, if it is to be released.

One other thought about these auctions. Certainly the profitable lines will attract many bidders. But who will bid on the losers? What is to happen to the riders that they serve? The bill does not address these problems.

In closing, we would like to say that we are pleased that the Legislature and the Administration are turning their attention to New Jersey's essential bus services, and we are sure that a coordinated, rational plan can be developed. We offer our cooperation and expertise in this matter. Thank you.

If there are any questions, I will be more than happy to answer them.

SENATOR BUEHLER: Mr. Gallagher, thank you. Are there any questions from the panel.

SENATOR MC DONOUGH: Mr. Gallagher, you say that you believe a single agency can coordinate services to preclude wasteful competition. Which agency?

MR. GALLAGHER: Well, that is up to the Legislature itself.

SENATOR MC DONOUGH: Which do you feel would be best, the PUC or DOT?

MR. GALLAGHER: Well, let me just say this: I have dealt with both, since I am a subsidized carrier. Right now you have to go with the agency that has the money given to it by the Legislature. At this point in time, the Department of Transportation is administering the money, and the subsidy program itself. The subsidy program itself, whether it is good or bad, they are administering it.

The Public Utility Commission's jurisdiction is to inspect our buses for mechanical failures, et cetera, to also check on route schedules and making sure they are being adhered to, on the unsubsidized carriers. Now, I am sure they have personnel in each department that have overlapping responsibilities, and I would not like to say which one we are in favor of. I just think that the Public Utility Commission at this time is having a very difficult time, because of the Public Advocate and everything else coming out with decisions where it concerns bus carriers. By this lack of a decision coming forth from the Public Utility Commission, they could very well force non-subsidized carriers into going onto the subsidy program. I don't think that is what the State of New Jersey wishes the role of the Public Utility Commission to be.

SENATOR MC DONOUGH: You talked about - and I am very sympathetic to - the idea that you do have an investment, and you do have a franchise which you probably did pay for, and you constantly, as well as the Transport of New Jersey, as well as the Commissioner, allude to who would pay for these franchises. If these lines continue to operate at a loss I, and I am sure the other two Senators, as well as Assemblyman Esposito, no longer want to subsidize those if they are not going to be profitable. What happens if we just stop subsidizing? What is the worth then of that license?

MR. GALLAGHER: I think we have to go back historically to why in many cases the companies are subsidized. In the early 1960's - I am speaking about what I am familiar with, and that is with our firm - we had applied for an increase in fares. I think way back then if our fares had been brought up to the levels that we wished them to be brought up to, we would not be in the situation we are in today.

Now, why weren't they brought up? Normally in the State of New Jersey we had followed suit with the New York City Transit Authority which had been subsidized in the late '50's when Fifth Avenue Coach had its problems. In New Jersey, the PUC did not want to allow the carrier to raise its fares above the level that the New York City Transit Authority first zone fare was, especially on intra-state fares. They were being subsidized way back in the early '60's and late '50's, while the subsidy program in New Jersey did not get started until '69. There was one carrier on in '69 and then in '70, and in '72 it started to gain momentum. So this is why the fare structure--- Your original question was, what will we do? We will raise the fare and cut the schedules to a point where we could operate.

I don't think too many people would then be able to use the service. There would probably be no Saturday service. I am certain there would be no Sunday service. Midday service would not be allowed, so therefore your senior citizens' half fare program would cease to exist. But I just don't think that the State of New Jersey, which is the most urbanized state in the union, could afford that.

SENATOR BUEHLER: Thank you. Are there any other questions. Thank you, Mr. Gallagher. Our next witness is Charles Garrity, Department of Public Utilities.

CHARLES GARRITY: Good morning, Senator. Senator, before I begin, I would like to introduce Louis Gaeta, who is the Director of the Division of Common Carriers of the Public Utility Commission. Mr. Gaeta is also our representative to the Commuter Operating Agency, and I will defer, on a number of occasions, to his expertise on bus matters.

We are here today representing Commissioner Jacobson, who unfortunately couldn't be present because of a Board meeting in Newark. Essentially what we have to say was said on May 5, 1976, before the Honorable Michael Esposito. We are requesting that any action on S-1199 be withheld pending the completion of the three studies underway by the Department of Transportation. We feel that much information can evolve from these studies, and eventually legislation can be prepared which will satisfy all concerns in this matter. It is the Commissioner's position that the two-tier system of regulation presently in effect, the subsidized carrier, and non-subsidized carrier, is completely unworkable. They should be put into one agency. However, we need more information in order to determine what type of agency it should be, and the role of the PUC in that agency, and the role of the DOT in that agency.

Basically that is what we have to say today, Senators.

SENATOR BUEHLER: Are there any questions from the members of the panel? Thank you. Our next witness is Sidney Kuchin, President of Suburban Transit Corporation.

RONALD KOHN: Mr. Kuchin is a bit under the weather, so I will testify in his place. My name is Ronald Kohn, Vice President of Operations for Suburban Transit.

Before commenting on the details of Senate Bill 1199, I would like to compliment Senator Dodd for his insight into the problems which exist in the transportation industry. I would also like to comment on two proposals contained in the bill which are valid regardless of which plan is finally adopted by the Legislature.

First, there is no question that the bus industry within this State should be regulated by a single agency. An effort must be made, however, to retain that expertise which currently exists within both present regulatory bodies, and to supplement that with experienced transportation personnel capable of properly monitoring the operations of the various bus companies.

Second, Senator Dodd points out the need for a widespread promotional and marketing campaign designed to encourage and attract patronage. It is our feeling that such a campaign should be undertaken by the Department of Transportation to encourage people to use the mass transit facilities throughout the State.

Now, we must state that we do not feel that Senator Dodd's proposal for reorganizing the bus industry provides a feasible solution to the major transportation problems facing this State. Section 10 of his bill states, and I quote, "No bus carrier shall operate any regular service for the carrying of passengers for hire within the State or between points in this State, and points in adjacent states, unless the contract is enforced with respect to such service." This refers, of course, to a contract between the carrier and the bus services administration board which would be established by this bill.

No distinction is made between routes that are presently subsidized by the New Jersey DOT and the non-subsidized routes operated by many private subsidized companies throughout the State. If the intent of Senator Dodd is to find a less expensive method of operating these services presently under subsidy, that is understandable. If, however, Bill 1199 might also change the management of presently unsubsidized services, that we can neither understand nor accept, and yet Bill 1199 states, "Every route designated in the final bus services plan shall be the subject of a separate contract." Further explanation is obviously needed in this area.

Bill 1199 requires that the bus services administration board contract for the operation of each line to that carrier submitting the most favorable bid. The duration of these contracts shall not exceed two years. It is unreasonable to expect the company to make necessary capital investments required to properly operate a given service for a two-year period. Under these conditions, the result of improving the service, attracting new passengers, and maybe even making the service profitable would be to attract greater competition in the bidding when the contract comes up for renewal. Efficiency and initiative will then be self-defeating. It would also be extremely difficult to hire employees at all levels with the knowledge that their jobs could terminate in two years.

For these reasons, we do not feel that a system based on bid procedure, outlined by Senator Dodd, is the solution. Furthermore, a company presently operating at a profit might be put out of business, as a result of this bidding procedure. After all, their lines would be most desirable. It makes no sense to jeopardize unsubsidized carriers as a result of inefficiencies among some of the subsidized carriers; therefore, we do not feel that any proposed system which does not adequately protect private, non-subsidized companies is acceptable.

SENATOR BUEHLER: Thank you, Mr. Kohn. Are there any questions from the members of the panel. If not, I will move on to our next witness, John Hoscheck, Executive Director of the Bergen County Board of Transportation.

J O H N P. H O S C H E K: My name is John P. Hoscheck. I am the Executive Director of the Board of Transportation of Bergen County, New Jersey, whose principal office is at 29 Linden Street, Hackensack, New Jersey. The Board of Transportation is an official agency of county government responsible to the Board of Chosen Freeholders, the county governing body, for the preservation, improvement, and expansion of public transportation facilities in our jurisdiction.

The Senate is to be commended for its understanding of the growing transportation problems within this State. There can be no question in anyone's mind that bus transportation is the backbone of public transportation in New Jersey, and ought to be expanded where high cost rail improvement is either impossible or impractical.

There are problems with Bill S-1199 which, if enacted, would not result in a desired accomplishment.

First, the bill removes buses from the Commuter Operating Agency and establishes a bus services administration board. The board would be made up of the same people who now make up the Commuter Operating Agency, with the exception of the Commissioner of Community Affairs. The people who make up the COA presently have taken a course of reduced service and increased fares, which is the same course of action taken by private companies which resulted in the present chaotic state of affairs. There is no reason to believe that the same people on a different named board would be able to take any other course of action.

The Commuter Operating Agency has had a number of years in which to designate a bus transportation program for this State, and it has not done so. This bill provides

that investigation, research and evaluation should result after 180 days in a preliminary bus service plan. The Commuter Operating Agency in 1972 entered into agreements with a consulting firm for just such an analysis and plan. This venture has cost the State over \$800,000 and is still not complete. The only way that bus transportation will become rational in this State is when professional people are hired to administer a board, commission, or authority that is out of the jurisdiction of the Department of Transportation.

The members of the Commuter Operating Agency, or the bus services administration board, if this law is enacted, will be political appointees which may or may not have any transportation expertise. By the time they would become aware of the nature of the bus industry and its problems, it will be time for another group to take their place. This is the inherent defect in the present situation, and it should not be carried forward into new legislation.

The bill itself contains a number of extremely good points for reorganizing the bus industry. It is deficient, however, because: One, the bill does not address itself to the fact that certain carriers have Interstate Commerce Commission operating authority; two, it does not address itself to the problem of contractual arrangements between profitable bus operating companies and the new board; three, it speaks of designating a comprehensive bus network and also speaks of the promotion of competition among private bus carriers. There would be no competition under contracted service, and it is hoped that the board would not contract for duplicate service over the same route as is now the case in certain instances under the Commuter Operating Agency; and, four, the bill provides that the schedule of operations and the frequency of service, specific routes, location of bus stops, and other matters would be contained in a bid. That information having either been produced by the board or by the bidder. It has been proven in this State, in several counties, that the greatest increase in the use of public transportation has been where the counties have set the routes and schedules, and this bill provides for county input after the fact, whereas the counties ought to be represented in the 180-day analysis period by legislation.

In spite of the good intent of this bill, it is still felt that the final answer to good transportation is some other agency, headed by professionals, who are not subject to the normal turnover of the political realm, and which can fund itself through its own bonding power. Thank you very much for the opportunity of appearing before your committee.

SENATOR BUEHLER: Thank you. Are there questions from members of the panel? The Bergen County Board of Transportation has developed quite a reputation. I just hope the Department of Transportation utilizes much of the information that you have given us.

Are there any members here representing the Transport of New Jersey? Will you please come forward. State your name and position.

C A R L M A R G G R A F F: Good afternoon. My name is Carl Marggraff. I am the Legislative Agent for Transport of New Jersey. Mr. Gilhooley is deeply sorry that he could not be here. He had a personal commitment, which he could not change, and he has addressed a letter to each one of you gentlemen on the committee, and I would, Mr. Chairman, like to read that letter into the record, if I may.

It is addressed to Members of the Senate Transportation Committee, dated May 25, 1976. "As President and Chairman of the Board of Transport of New Jersey, I would like to take this opportunity to share with you my thoughts on S-1199 which will be the subject of a public hearing on May 27, 1976. I regret that due to a long-term personal commitment, I cannot attend that hearing.

"As you know, Transport of New Jersey is the nation's largest privately owned and operated mass transit bus company carrying over 400,000 daily passengers on over one hundred

local and interstate routes in twenty of New Jersey's twenty-one counties. Our operations account for nearly half of all regular-route passenger service in New Jersey.

"Before discussing the merits of S-1199, I would like to commend the sponsor of this bill for recognizing the fact that the bus industry of New Jersey is the backbone of mass transportation in this State both now and in terms of future development. By putting proper emphasis on bus transportation as a truly economical, ecologically sound and energy efficient mode of transportation, your committee will certainly be making a major contribution toward formulating a long overdue, rational, statewide transportation policy.

"The intent of S-1199, to set up a bus services administration board to plan, oversee and coordinate bus service in New Jersey is fundamentally sound. I, too, share the concern expressed by the sponsor that New Jersey seek a reasonable means to insure the preservation of adequate bus service. However, reasonable men can differ as to the method used to reach this goal. For this reason I would respectfully suggest to your committee, as I have to the Assembly Transportation Committee, that action on a bill of this nature be premature considering the fact that definitive studies by reputable consulting firms are now underway to be completed by late summer or early fall. These studies may provide valuable information and a better data bases from which to consider the relative merits of S-1199 and other similar proposals.

"Although you will no doubt receive a more thorough explanation of these studies from the New Jersey Department of Transportation, I would like to outline for you Transport of New Jersey's reasons for considering them so important. The New Jersey DOT has engaged a leading consultant firm to undertake a study which seeks to restructure the State's bus subsidy program by suggesting incentives in the form of monetary return to the private carriers in order to encourage more efficient operations. We at TNJ believe that this study will provide a base from which better informed judgments can be made.

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

"There is also a second study to be provided by a similarly qualified consulting firm. As we understand it, this is an undertaking which has as its objective the consideration of the long-range future for mass transit in this State. This study will consider in detail the various options available to the State in its approach to mass transit, for example: complete state takeover; continuing private ownership; a combination of public and private efforts, or some other beneficial approach.

"The results of these studies will certainly be relevant, and, I trust, helpful to the work of your Committee.

"Another aspect of this bill that should be considered is the fact that, realistically, there is no way that any legitimate bus company can bid on a two-year service contract on a straight cost basis. The reason for this is that the major portions of most bus companies' costs are influenced directly by our inflationary economy. Specifically, I am referring to fuel costs and wages, which rise according to the cost of living up to a certain point. Thus, any bidding procedure would have to be handled on a 'cost plus' basis to reflect the

increased cost that operators will certainly face.

"In addition to this, such a bidding procedure could result in the triggering of certain liability on the part of the State due to labor protective agreements written into all applications for Federal funds through the Urban Mass Transportation Administration. The particular agreement, known as '13C' provides that if an employee loses his or her job as a result of the way the State uses Federal funds, the State can be liable for that person's salary for up to six years. Considering the fact that the State is already heavily dependent upon Federal transit subsidies together with the fact that under the procedure contemplated by the bill jobs would certainly be lost, an enormous liability could be incurred by the State.

"Finally, I feel I must mention to you that this bill, as I have been advised by counsel, raises serious constitutional questions as to the taking of property without compensation. I have been advised that the only way in which the State can take a bus operators routes and put them up for bid is to buy the routes in question or to take over the company in question. The problem is further compounded by the issue of whether the State has the authority to approve, restrict, transfer or limit interstate operating rights where the Federal Government through its agency, the Interstate Commerce Commission, exercises exclusive regulatory control over motor bus carriers in interstate service.

"In conclusion, I can only say that while I am sympathetic to the fundamental intent of S-1199 to improve bus service, action on this bill may be premature considering the observations outlined above.

"May I assure you, however, that whatever policy is formulated by this legislature as a result of the recommendations of your Committee or the consultants, TNJ will do its best to comply with any reasonable course of action designed to improve, expand, and facilitate the delivery of safe, efficient, and economical bus service to the citizens of New Jersey.

"If I can be of any further assistance to you in this matter, please do not hesitate to contact me. Signed, John J. Gilhooley." That is all I have, gentlemen. Thank you.

SENATOR BUEHLER: Are there any questions from the members of the panel? If not, we will go on to our next witness. Our next witness is the representative from the Somerset County Planning Board. Will you please state your name for the record.

A R T H U R L. R E U B E N: My name is Arthur L. Reuben, and I am Transportation Coordinator for Somerset County. In the interest of brevity, Senators, I will start this statement on the second page.

I would wholeheartedly agree with Senator Dodd's Bill S-1199, that the present subsidy system "...offers no incentives to bus carriers to improve and expand services."

It is interesting to note that over the past several years bus system after bus system throughout the United States, Atlanta to San Diego, have gone through a period of improved schedules, extended routes and reduced fares which resulted in increased patronage. It is true the period of increased patronage coincided with increased gasoline prices, but by way of comparison, bus transportation in the State of New Jersey is only showing evidence of decline.

It is important to note that there are some areas where improvements have been implemented. The Department of Transportation, after a long period of gestation, implemented with great success the exclusive bus-lane approach to the Lincoln Tunnel.

I submit that the present subsidy system engenders a philosophy among bus operators of expanding subsidy payments, rather than marketing for increased patronage or improvements in the efficiency of service.

There has been much criticism launched at the Planning activities of New Jersey Department of Transportation, most of them justly so, for tedious, longwinded, expensive studies that have gone out of their way to avoid recommending solutions except in the most general fashion. However, it should be pointed out that the DOT in 1969, in the publication: "Buses; Crisis and Response," clearly outlined the future for bus transit in New Jersey, highlighted the problems, and proposed solutions.

This Report was basically ignored because the bus transit crisis was anticipated and the subsidies were not then an exorbitant cost for the services rendered. However, the report does illustrate that the New Jersey DOT can present a coherent response to the bus transit crisis without resorting to studies that will cost, in toto, millions of dollars. All this at a time when the State DOT says frankly - we have no marketing program because we can't afford it.

We could deal with many individual examples of weaknesses in the State Bus Transit Program, including the question of auditing, but I submit the basic question concerns the institutional infrastructure.

I have heard Commissioner Sagner defend the present system in terms of a commitment to free enterprise. This poses a question of definition. When an industry no longer attempts to achieve a profit-making position and is only goaded forward in the pursuit of larger subsidies, can it be characterized as free enterprise? I have heard former Commissioner Goldberg place this question in another manner. He questioned whether an industry that does not make a profit can be regulated?

This brings us to an evaluation of S-1199 and whether this Bill which provides a plan which entails an award of contract by competitive bidding along with a plan of operational services will work.

The only precedent that I am familiar with is the present school bus system which is entirely subsidized. The school bus system usually is not

examined critically for its efficiency, but nevertheless, the cost of operation per pupil (except for special student transportation) is low. However, the labor force utilized can be very economical because of its part-time nature and the fact that passengers are completely captive makes the systems not comparable.

I would suggest that the other urban areas in the United States have found that a public bus transit agency is the prerequisite to meeting this need for a unified system of planning, programming, marketing, and operations. With a national government program fostering public agency operation, New Jersey has bucked the trend ~~and~~ fallen far behind in utilizing Urban Mass Transportation Administration Funds.

Certainly this policy is at least partially responsible for Commissioner Sagner's statement to UMTA, "...there is no question historically New Jersey has, for reasons which the State is not entirely blameless, failed to receive any approximation of a 'fair share' of Urban Mass Transportation Funds for the most urbanized State in the Union."

The problems of not having a responsible line of administrative authority with a fragmented system of transit are substantial. If State of New Jersey-UMTA vehicles are to be utilized, as they must be, how shall maintenance of these vehicles be insured?

The S-1199 Bus Services Administration Board essentially entails the services of the same overworked, underpaid leadership that has been dealing with these problems. Unfortunately, this leadership has not presented any programmatic policy to the State Legislature; except status quo, or more studies.

S-1199 provides the potential for municipal or county transit route operation. However, there would not appear to be any advantage to local government to deal with the area of transit ~~at~~ their own unless there was specification of funding. The existing system is chaotic and there appears to be general agreement at the county level that a shifting of major transit burdens to the property tax base is inappropriate, and that the State should be responsible for all inter-county transit.

I recognize that the authority approach has its liabilities; authorities do become unmanageable even though they have proved to be an efficient form of government enterprise. They most nearly match the corporate structure of our economy. In fact, the Port Authority of New York and New

Jersey is one of the few agencies capable of producing excess transit revenues in the New York Area. It is only logical that an examination should be made of the potential for both revenue and expertise from the several highway authorities in New Jersey.

I believe that a transit operating agency, an authority or regional authorities, must also be evaluated. The problem of building a continuity of staff and leadership in the field of transit planning, programming and operation is severe. There should not be a need for a bale of studies with each change in Administration.

The admonition of UMTA Administrator Patricelli in regard to administrative structure should be noted. In a letter to Commissioner Sagner (March 9, 1975) he suggests that New Jersey "...should consider the establishment of an authority to operate commuter rail service within New Jersey or on a bi-State or tri-State basis. The plan should also include attention to bus service, given the importance of that form of transit in serving passengers in your State."

It is noteworthy that communications from the Urban Mass Transportation Administration constantly stress the need for integrating land-use development with transit development. Without concomitant land-use development, transit systems will not be successful. The need for developing a system of transportation centers, particularly in the older cities such as Newark, Plainfield, New Brunswick, and Paterson is essential to a bus transit program and probably requires an authoritative agency. The Port Authority's Jersey City Transportation Center could serve as a prototype to be expanded upon.

I would recommend to this Committee an examination of the concept of an overseer committee of government officials to authorities which is embodied in the bill to set up the Green Brook Flood Authority. A Legislative overseer committee with specified powers to veto the actions of an Authority may strike the balance between present transit permissiveness and authoritarianism. You might note the flood authority bill also prescribes rigid limitation on the right to float bonds. I think this is particularly applicable where we are dealing with an operation that is essentially a deficit operation.

While presenting a critical response to the proposed legislation, I would also like to compliment Senator Dodd for breaking the impasse that has gripped transit policies in the State of New Jersey. Unfortunately, this legislation is presented at a time of severe crisis, and we do not have years of trial and error to respond. While my personal option is for public transportation agencies, I would also like to see whether a system of competitive bidding on selected routes would work; such a demonstration project that could be evaluated against agency transit systems could be useful. I see no

reason why such a project could not be implemented within a few months. I wish to thank the committee and its chairman for giving me this opportunity to present this statement.

SENATOR BUEHLER: Thank you. Are there any questions from the panel? (First page of statement is on page in the Appendix.)

Our next witness is Micheal Kaplan, Delaware Valley Citizens Committee.

M I C H A E L K A P L A N: Gentlemen, I am Michael Kaplan, the Executive Director of the Delaware Valley Citizens Committee for Better Transportation. We are a citizens transit group working for better transportation in the Philadelphia- Southern New Jersey area. Many of our problems have been primarily with Transport of New Jersey.

On Bill S-1199, it looks like we are going to open a can of worms. By that I mean, each individual route would be up to an individual operator. There would be no provision in here as to whether the operator has any transit experience or not. It would just be up to the operator, and whether he had enough money. Also, what makes me wonder on this bill is that the State right now is terribly short of inspectors to see that the proper service is being maintained. When you get a group of new operators, you are going to have to have a larger inspection force.

Based on the current fiscal problems that face this State, and the possible hiring freeze that we may have, it is going to be impossible to get any more new bus inspectors. As it is, in Southern New Jersey, with the present Transport of New Jersey practical monopoly - particularly in Camden and Gloucester Counties - right now the State DOT considers us the last frontier or the lost frontier, because of the fact that the State bus inspectors are rarely in Southern New Jersey at all.

I have asked many times how often Mr. Gilhooley gets into Camden to see the Southern Division of TNJ, how it operates, and the answer I have gotten was that he is down there only about four times a year. That, to me, is no way to run a business.

If we are going to have decent bus service, as this bill provides - and it provides for the safe, clean, economical use of bus services - then why aren't we getting it now? Two years ago a study came out on the Camden-PATCO feeder bus system, and the problems, and inefficiencies that service had created. It is two years since that report has come out, and many of these problems have not been solved, and many of these problems which could be easily taken care of by both the State DOT's enforcement and the TNJ management have not been solved.

With the bill, the appointees that would be on this State bus board would be political, and I have seen enough political problems with one transit authority in Philadelphia, where a board does not know what it is doing, that we don't need the same type of thing in New Jersey. This State, being the most urbanized in the country, should have the best public transportation. Unfortunately, we have probably the worst system. Thank you.

SENATOR BUEHLER: Thank you, Mr. Kaplan. Are there any questions from the panel? If not, our list of witnesses that I have before me has been completed. I will conclude this hearing on Senate Bill 1199. The Committee will review the information that the witnesses have put into the record, and the Transportation Committee will then bring Senator Dodd back at our request for a review and analysis and action on S-1199. Thank you very much.

(HEARING CONCLUDED)

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STATEMENT TO THE
SENATE COMMITTEE ON TRANSPORTATION AND COMMUNICATIONS
by
Arthur L. Reuben, Transportation Coordinator, Somerset County Pl. Bd.

I would like to thank Senator Buehler and the Committee for the opportunity to present my views to the Committee. Senate Bill 1199 addresses itself to a complex problem facing the State of New Jersey in which there are many variegated proposals. I would hope my comments on this Statewide problem would make a contribution toward a solution of the problems of bus transportation. They do not, however, reflect an official position of Somerset County or its Planning Board. I have previously submitted statements of John J. Senesy, Chairman of the Somerset County Planning Board, on a number of transit matters as they directly impact Somerset County.

In examining the question of transit and transit subsidies, I would like to call attention to the following quotation from Commissioner Dwight Pal~~man~~^{mer} in a publication entitled: "The Impending Breakthrough in Transportation."

"When we advanced the service contract (rail subsidy) we were the first to call it a "stop-gap" program--an expedient to be pursued for a period of three to five years. The program is now in its sixth year and the question arises as to where we go from here."

I call your attention to this background because unfortunately, there are still some persons who think of subsidies as stop-gap or temporary. The facts are that basically neither rail nor bus passenger transit can continue in business without a direct subsidy. The exceptions in relation to buses are very limited, very high density local transit and high density express bus service into downtown areas such as New York City. Of course, long-haul intercity bus service continues to be profitable.

An examination of cities and urban areas across the United States indicates we are dealing with a universal axiom - local bus service is not

STATEMENT

by

THE HONORABLE FRANK J. DODD
(Senator, District 26-Essex)

Before The

SENATE TRANSPORTATION AND COMMUNICATIONS COMMITTEE

on

SENATE BILL NUMBER 1199

The "BUS SERVICES REORGANIZATION ACT"

On May 15, 1969, Senate Bill Number 778 passed in the Senate; on July 2, 1969, that bill passed in the General Assembly; on July 3 it was signed into law by Governor Hughes as Chapter 134 of the Laws of 1969.

Senate Bill Number 778 of 1969 had a preamble which it may now -- almost seven years since its enactment -- be instructive to recall:

WHEREAS, Buses are the mainstay of public transportation in New Jersey, carrying an estimated 1.2 million passengers daily; and

WHEREAS, An increasing number of bus companies serving urban areas have been developing financial difficulties in rendering essential bus services; and

WHEREAS the bus companies in financial difficulty serve thousands of daily passengers in a great number of municipalities throughout the State; and

WHEREAS, A number of the State's urban centers are threatened with the total loss of bus service to the detriment of the persons and areas served; and

WHEREAS, Public Service Co-ordinated Transport Company has announced its intention to terminate its lease on the Newark city subway which carries an estimated 15,000 passengers daily and is a critical link in the Essex county public transportation system; and

WHEREAS, The Department of Transportation is undertaking a comprehensive study directed toward a long range solution of the bus crisis which will take up to a year to complete and implement; and

WHEREAS, There is a necessity for action at the State level of government if substantial loss of bus services is to be prevented while the necessary studies are carried out; now, therefore,.....

Chapter 134 of the Laws of 1969 was an EMERGENCY measure, enacted to deal with a CRISIS....a CRISIS that was to be resolved within a year by the Department of Transportation. That 1969 legislation carried an appropriation of \$750,000, and an expiration date of July 1, 1970. As we all know, chapter 134 of the Laws of 1969 is still alive and well and living in the statute books; its expiration date has been annually extended every year since 1970; its initial appropriation of \$750,000 in 1969 has been followed by appropriations totalling more than \$100 MILLION up to the present.

So much for ancient history!

In a series of articles on the New Jersey bus subsidy program commencing on May 9, 1976 in the Newark Star Ledger, Mr. Randy Young revealed that the Department of Transportation was in the process of preparing an INVENTORY OF BUS SERVICES presently operated in New Jersey, and that a far-reaching plan would be presented to the Legislature in the Fall containing recommendations on how the State should "organize, finance and run its public transportation program."

So much for the present!

Senator Buehler and members of the Senate Transportation and Communications Committee, I respectfully submit that the Department of Transportation's consistency in the continuance of a subsidy non-plan is no virtue and that if you encourage and make possible a reorganization now of their New Jersey Bus Services program, you will be performing a service to all the taxpayers of New Jersey.

In 1969, the Legislature was led down the primrose path of DOT promises. I myself, as an Assemblyman in 1969, fell victim to the lure of "comprehensive studies" being conducted, and "long range solutions" about to be proposed. Well, we have HAD the studies; but we have had NO solution whatsoever. Since 1969 we have permitted successive DOT commissioners to continue a Bus Subsidy program that was commenced to deal with a financial crisis experienced by several bus companies in New Jersey. Far from solving that "crisis," the program administered by DOT has merely fueled it with millions of State dollars; and the expenditure of those millions without any prospect of resolution has significantly contributed to the financial crisis experienced by this State Government in 1976.

It would not at all surprise me if the DOT's present promises of "recommendations in the Fall" never materialize. And if DOT does, actually, present recommendations on how the State should "organize, finance and run its public transportation program," it would not at all surprise me if those recommendations manifest a deep affection on the part of DOT bureaucrats for public ownership (either State, or local, or both) as their long-sought, long-range SOLUTION. After all, if we owned the bus companies, we wouldn't have to worry about their always imminent bankruptcy; we wouldn't have to commission public audits of private accounts; we wouldn't

have to worry anxiously about the results of labor negotiations between private employers and private employees, since both the companies and their personnel would be PUBLIC; and, we wouldn't have to face those annually embarrassing questions concerning INCREASED SUBSIDIES, since everyone KNOWS that government ISN't SUPPOSED TO MAKE MONEY.

We may well come, Mr. Chairman and members of this Committee, to public ownership of bus companies in New Jersey, but to do so before giving the PRIVATE SECTOR every opportunity to demonstrate that it can provide the required service at reasonable fares and with minimum State subsidies, would be a mistake of monumental proportions for every present and all future citizens of the State of New Jersey. I submit that our present Bus Subsidy program does not create that opportunity for the private sector; I submit that our present Bus Subsidy program provides DISINCENTIVES TO ENTERPRISE, INITIATIVE AND INNOVATION rather than incentives thereto; and, finally, I submit that as long as our present bus subsidy program continues to place a premium on the most inefficient of bus operations, we will have to pour ever more millions of State dollars into the subsidy sinkhole to shore up a service that deteriorates despite all efforts to improve it.

Short of PUBLIC OWNERSHIP there MAY BE another way. Short of a PUBLIC TAKEOVER, there MAY BE a bus services program that provides subsidies only when necessary and only in necessary amounts, and that accentuates the enterprise, initiative and innovation inherent in the private sector while it eliminates the economic inefficiencies that plague our present program.

It is just such a REORGANIZED BUS SERVICES PROGRAM that my Senate Bill Number 1199 is directed towards effectuating.

Like Chapter 134 of the Laws of 1969, which it repeals, my S-1199 contains a "preamble," in the form of a section of "Legislative findings and intent." Without, hopefully, presuming over much on your patience, I should like to call that section to your attention:

"2. The Legislature declares and finds:

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

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

c. That despite massive infusions of State aid to private bus carriers, totaling over \$100 million since the initiation of a subsidy program in 1969, bus services have continued to decline and deteriorate while fares have increased at alarming rates, thereby creating tremendous hardships, inconveniences and disruptions in the daily lives of many of our citizens;

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

e. That a reorganization of the present methods for the planning, allocation and support of bus services is an urgent necessity in order to eliminate or alleviate present transportation problems and to insure the orderly and continuing development of comprehensive, economical, reliable, safe and convenient bus services."

To effectuate those purposes, S-1199 establishes in the Department of Transportation a BUS SERVICES ADMINISTRATION BOARD, consisting of the Commissioner of Transportation, as Chairman; the Assistant Commissioner of Public Transportation, as Secretary; the State Treasurer; the Commissioner of Labor and Industry; and, the Commissioner of Community Affairs.

Section 5 of S-1199 gives the Board 6 months to develop a PRELIMINARY BUS SERVICES PLAN; directs the widest dissemination and discussion of that plan with the public and with local, State and federal government officials, planning agencies, transportation authorities, private transportation carriers, representatives of commerce and industry, and members of social, civic and community organizations.

Section 6 provides a three month period for the conduct of a "series of public hearings in various locations throughout the State to receive comments from all interested parties concerning...." the PRELIMINARY BUS SERVICES PLAN.

Pursuant to section 7 of S-1199, three months following the conclusion of the last of the Board's public hearings, it is required to "adopt and release a final bus services plan."

Section 8 sets out the GOALS to be effectuated by the FINAL BUS SERVICES PLAN:

" a. The designation of a comprehensive and integrated bus network, including desirable levels of service, comprised of those route elements described in section 9;

b. The delivery of accessible, safe, comfortable, convenient, efficient, economical and reliable bus services to all segments of our society and all geographical areas of the State;

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

d. The attraction of increased patronage for bus services through the continuing expansion and improvement of such services and the development and application of modern marketing and promotional techniques;

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

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

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

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

Pursuant to section 9 of S-1199, the FINAL BUS SERVICES PLAN shall designate a "comprehensive and integrated bus network, including desirable levels of service, composed of the following elements:

- " a. A primary system of bus routes linking the State's principal urban areas;
- b. A secondary system of bus routes linking suburban and rural areas to the principal urban centers;
- c. A local system of bus routes located wholly within one or more municipalities or counties;
- d. An interstate system of bus routes linking urban and major residential areas to New York and Philadelphia;
- e. An arterial extension system of bus routes linking urban and major residential areas with major traffic generators such as industrial and employment centers, cultural and athletic complexes, resorts and amusement areas, shopping centers and transportation terminals."

Section 10 through 15 of S-1199 are particularly important for the opportunities they provide for enterprise, initiative and innovation both on the part of the State, as represented by the BUS SERVICES ADMINISTRATION BOARD, and by the private bus carriers whose actions must conform to the FINAL BUS SERVICES PLAN.

Section 10 provides for the advertisement and award of bus service contracts by the BUS SERVICES ADMINISTRATION BOARD "on the routes designated in the bus services plan." This section also provides that "no bus carrier shall operate any regular service for the carrying of passengers for hire within this State or between points in this State and points in adjacent States unless such a contract is in force with respect to such service."

Section 11 establishes a BID PROCEDURE and specifies that a "contract shall be awarded with reasonable promptness by written notice to that qualified bidder whose bid most satisfactorily conforms to be award criteria determined in advance by the board."

Section 12 permits the BUS SERVICES ADMINISTRATION BOARD to require all necessary information from bus carriers concerning their finances, insurance, buses, equipment, terminal and garage facilities, organization, ownership and prior operating experience.

Section 13 permits joint bids by two or more carriers, except that "no carrier owning or operating more than 200 buses may submit a bid jointly with any other carrier."

Of vital significance, Section 14 provides that "every route designated in the final bus services plan shall be the subject of a separate contract, except that the board may include in one contract two or more routes in the same geographical area whenever it shall determine that the public interest would be more effectively and efficiently served by awarding a contract for multiple routes."

The most innovative concept contained in S-1199 appears in section 15, which directs the BUS SERVICES ADMINISTRATION BOARD to utilize a series of SERVICE VARIABLES in awarding contracts. These variables include: schedule of operations and frequency of service; specific route or routes and locations for picking up and discharging passengers; fare structure; the number, type and physical condition of buses and equipment; the nature of the carrier's promotional and marketing techniques designed to encourage and attract patronage; the criteria, method of payment and amount of subsidies, if any, payable by the board to the carrier; and, the leasing of any buses, capital equipment or facilities by the board to the carrier.

The significance of this section rests in the FLEXIBILITY it will provide for the FIRST TIME to those charged with the administration of BUS SERVICES in New Jersey. The FINAL BUS SERVICES PLAN will

contain EVERY ROUTE determined to be necessary to the public interest. CERTAIN....perhaps a great many,....of those routes will be PROFITABLE....they will, in other words, return a PROFIT for the private carriers permitted to operate along them. Since S-1199 requires ALL ROUTES to be awarded by COMPETITIVE BIDDING..... the profitable as well as the unprofitable.....section 15 establishes a procedure whereby the BUS SERVICES ADMINISTRATION BOARD may award profitable routes to those carriers who promise the GREATEST FREQUENCY OR SERVICE, or the BEST EQUIPMENT, or the LOWEST FARES, or any combination thereof; while for the UNPROFITABLE ROUTES, section 15 permits bus carriers to bid on such variables as the AMOUNT OF SUBSIDY they will require to operate a route that the Board will have determined to be worthy of operation in the public interest. ONCE AGAIN.....EVERY ROUTE WILL BE BID....but.... since every route is DIFFERENT, section 15 permits the CONTRACT AWARD CRITERIA to be DIFFERENT for EVERY ROUTE contained in the FINAL BUS SERVICES PLAN.

S-1199 accomplished TWO principal objectives which, to this date, have been totally lacking in the Bus Subsidy program conducted by the Department of Transportation:...CONTROL and FLEXIBILITY. "Control" is accomplished by requiring EVERY BUS CARRIER IN NEW JERSEY...both those receiving subsidies and those which do not....to operate ONLY on routes designated in the FINAL BUS SERVICES PLAN; and then ONLY with a contract obtained on the basis of COMPETITIVE BIDDING from the Bus Services Administration Board. "Flexibility" is accomplished through the conduct of such competitive bidding on the basis of SERVICE VARIABLES applicable to the PARTICULAR ROUTE BEING BID.

In place of the DIVIDED RESPONSIBILITY over bus carriers which we now experience....with subsidized carriers being supervised by the Department of Transportation and non-subsidized carriers coming under P.U.C. regulation and control.....S-1199 places EVERY BUS CARRIER IN NEW JERSEY under the supervision of the Department of Transportation.

In place of the inefficient, incremental, incoherent subsidy system now operated by the Department of Transportation, S-1199 establishes a service system whereby BUSES will operate on routes DETERMINED TO BE NECESSARY TO SERVE THE PUBLIC INTEREST and pursuant to contracts awarded by the BUS SERVICES ADMINISTRATION BOARD, which will permit, and, indeed, encourage, initiative, innovation and enterprise on the part of EVERY BUS CARRIER IN NEW JERSEY.

S-1199 will eliminate the unconscionable practice of permitting SUBSIDIZED CARRIERS TO operate on routes in COMPETITION with nonsubsidized carriers.

S-1199, through its ROUTE BY ROUTE contract provisions, permitting small operators to conduct limited operations with relatively small overhead and capital equipment costs, will encourage new entrants into the BUS SERVICE BUSINESS.

S-1199 will permit the State of New Jersey to know FOR THE FIRST TIME just what kind of BUS SERVICES IT NEEDS, how much those services will cost, and how well those services will be operated.

S-1199 is NOT a MASTER PLAN for BUS SERVICES IN NEW JERSEY. I am NOT so pretentious as to suggest that I am capable of designing a comprehensive ROUTE SYSTEM capable of serving all the legitimate interests of the hundreds of thousands of New Jersey citizens who depend daily upon the buses to provide their only

AFFORDABLE MEANS OF TRANSPORTATION. S-1199 IS, however, a mandate for the creation of just such a comprehensive plan, to be formulated by the "experts" for the benefit of the public. If successive commissioners of transportation in New Jersey over the last seven years had been doing their job, the provisions of this legislation would long since have been recommended and implemented.

In conclusion, Senator Buehler and members of this Committee, I recognize that S-1199, the "BUS SERVICES REORGANIZATION ACT" may well not be the final word on these vital subjects, nor will it prove sufficient in itself to solve all the mass transportation problems confronted by the State of New Jersey. Your Committee and its excellent and highly qualified staff may well determine that amendments are necessary if this legislation is to prove adequate to its purposes. But ON THOSE PURPOSES I believe we will remain in complete agreement. New Jersey today is spending millions on a subsidy program that generates only the need for incremental infusions of public monies. The BUS SERVICES PLAN called for in S-1199 will generate a bus services program that genuinely serves the public interest both in terms of the CONDUCT of bus operations and in the prudent fiscal management of the public purse. I urge you to give this measure your most serious and expeditious consideration, and I welcome any improving amendments you deem essential to facilitate and effectuate the public purposes we all wish to serve.

STATEMENT BEFORE THE SENATE TRANSPORTATION COMMITTEE, MAY 27, 1976

RE: S 1199 THE BUS SERVICES REORGANIZATION ACT (DCDD)

Mr. Chairman, members of the Committee, my name is William Beren, I am the lobbyist for the League for Conservation Legislation, an umbrella organization representing over 50 citizen groups in New Jersey. We are broadly concerned with the impact legislation has on our natural environment. Our concern with S 1199 is derived from our belief that the best way to reduce air pollution and conserve energy is to shift transit trips from private automobiles to energy conserving mass transit.

In analyzing the problems of our existing mass transit subsidy program, it is important that we understand exactly what our goals are. When the legislature discusses mass transit, conversation tends to center on the fiscal abuses associated with the subsidy program to the exclusion of other goals. The attitude is usually one of: How can we reduce the cost of the rapidly growing subsidy program? Rarely does the legislature look at the problem and ask: How can we improve mass transit to reduce delays, encourage people to ride it, and generally make it a viable form of transit in New Jersey?

If I may just draw an analogy, the legislative index lists 40 bills which have been introduced seeking improvements in one form or another to the State Highway system. With the exception of Bergen County's attempts to

restore rail services along the West Shore Line right-of-way, and the establishment of isolated park-and-ride lots here and there, there has been little or no effort over the years to improve the State's public transit network. When was the last time you heard of a legislator introducing a bill to extend bus service into an area that currently has no access to mass transit, or to force coordination of schedules to reduce unnecessary delays to transit users?

I am making these points because I wish to emphasize that while the legislature is rightly concerned about the fiscal costs of maintaining and operating a viable mass transit network throughout the State, the primary goal has to be the transportation of people in the most energy efficient, non-polluting, convenient and comfortable manner possible. It is not enough for the legislature to just be concerned about those who are transit dependent: the old, the poor, the young, the carless. It must be the goal of the State of New Jersey to improve mass transit to the point where the commuter the shopper, and the family going to the shore or the mountains will find it more convenient to use buses and trains than the auto. Only by offering an attractive and convenient alternative to the auto will New Jersey be able to comply with federal mandates to reduce auto pollution and to conserve energy without handicapping either our freedoms or our economy.

In our opinion, Senator Dodd in S 1199 has recognized these factors. S 1199 therefore represents a good starting point for the reorganization of our bus system, a reorganization which is generally conceded to be long overdue. Specifically, the development of a bus master plan to link the State's urban areas to each other and to suburban and out of state destinations, along with planning for intra-city and intra-county service is a much needed first step. (Section 9)

Likewise, the consolidation of responsibility for bus services, now split between the PUC and the COA, within a single agency with total control over route designation, marketing, levels of service, and coordination

of schedules between lines (Section 8) is also a long overdue administrative reform which LCL has advocated.

However, we remain skeptical of Senator Dodd's proposal to rely on the private sector to operate a revised bus network. We are leery of the problems that would arise from the bidding process which S 1199 uses to allocate routes among the various companies, and wonder whether such a system would be counter-productive to the goal of a unified public transit network throughout the State.

For example, how does the bill assure that the company which wins the bid is the company which is best able to provide efficient reliable service at the lowest cost to the State? Will the routes instead go to the company with the highest cash reserve? If the State writes into the terms of the bid factors such as proximity of garage to route to reduce overhead expenses, will that effectively make the bidding non-competitive?

With each route being owned by a different company, won't that make schedule coordination, transfer privileges, and the efficient use of garages more difficult, thereby increasing the costs and reducing the convenience of the bus system?

How will the State be reimbursed, if at all, for the enormous expense associated with coordinating the bus network, including the planning, marketing, bus service purchase, and other programs which the NJDOT will be responsible for?

What happens to lines which NJDOT puts up for bid and on which no-one bids?

And finally, will this preclude the possibility of the State using those profitmaking lines to subsidize routes which do not break even, but which for any number of reasons should not be abandoned? If revenues cannot be so shifted, it is likely that the subsidy program may cost more than it

would otherwise need to.

There are other alternatives to the present inadequate system than the solution proposed by S 1199. Each has their drawbacks and their advantages. A single state wide operating authority, or regional or even county wide authorities are three options. Direct State control and operation is a fourth. This is a highly complex issue and final action should not be taken precipitously. We therefore suggest that the actual bidding section of S 1199 not be acted upon pending the DOT's current studies. At that time, we urge the committee to consider the full range of options available, and develop one which will most completely meet the special needs of this, the most urbanized state in the country.

In the meantime, we urge speedy action on the other sections of S 1199, specifically the consolidation of all responsibility for bus operations within the COA, the expansion of their responsibility to include marketing and coordination of service, and the beginning of the integrated planning process described in Section 9. Included in such a process, in addition to those already listed in the bill, should be representatives of county and local planning agencies, commuters, the Division of Air Resources, and business concerns interested in providing mass transit access to jobs and shopping areas not now served by public transit.

We would like to end on the issue of funding. We note that S 1199 does not appropriate any funds for the implementation of its program. In the light of a recent OFA report criticizing the severe understaffing within the DOT for mass transit planning, it is clear that if the goals of S 1199 are to be carried out, increased staff, and hence increased appropriations to NJDOT are required.

For the past two years, mass transit planning at DOT has almost entirely been concerned with cutting services in response to the legislature's failure to fully fund the subsidy program. Efforts by LCL and others to institute

low cost innovative programs to attract ridership (ie prepaid bus fares, reduced off-peak fares, etc) have all been met with the same response from NJDOT: We do not have the manpower to study and initiate any programs. While we feel that such a response is inadequate, and that such proposals do not need long, drawn-out study, we do agree that the mass transit planning staff is inadequate to the job that needs doing. Increased staff and a secure funding source for the subsidies, either in form of excess toll road revenues, a gasoline tax, a regional transportation tax, or whatever, would give the department time and resources to begin the comprehensive planning job outlined within S 1199, resulting, hopefully, in a truly viable mass transit system throughout New Jersey.

I wish to thank you for the opportunity to appear here today to share our concerns with your committee.

Bill Beren,
Legislative Agent

May 27, 1976

