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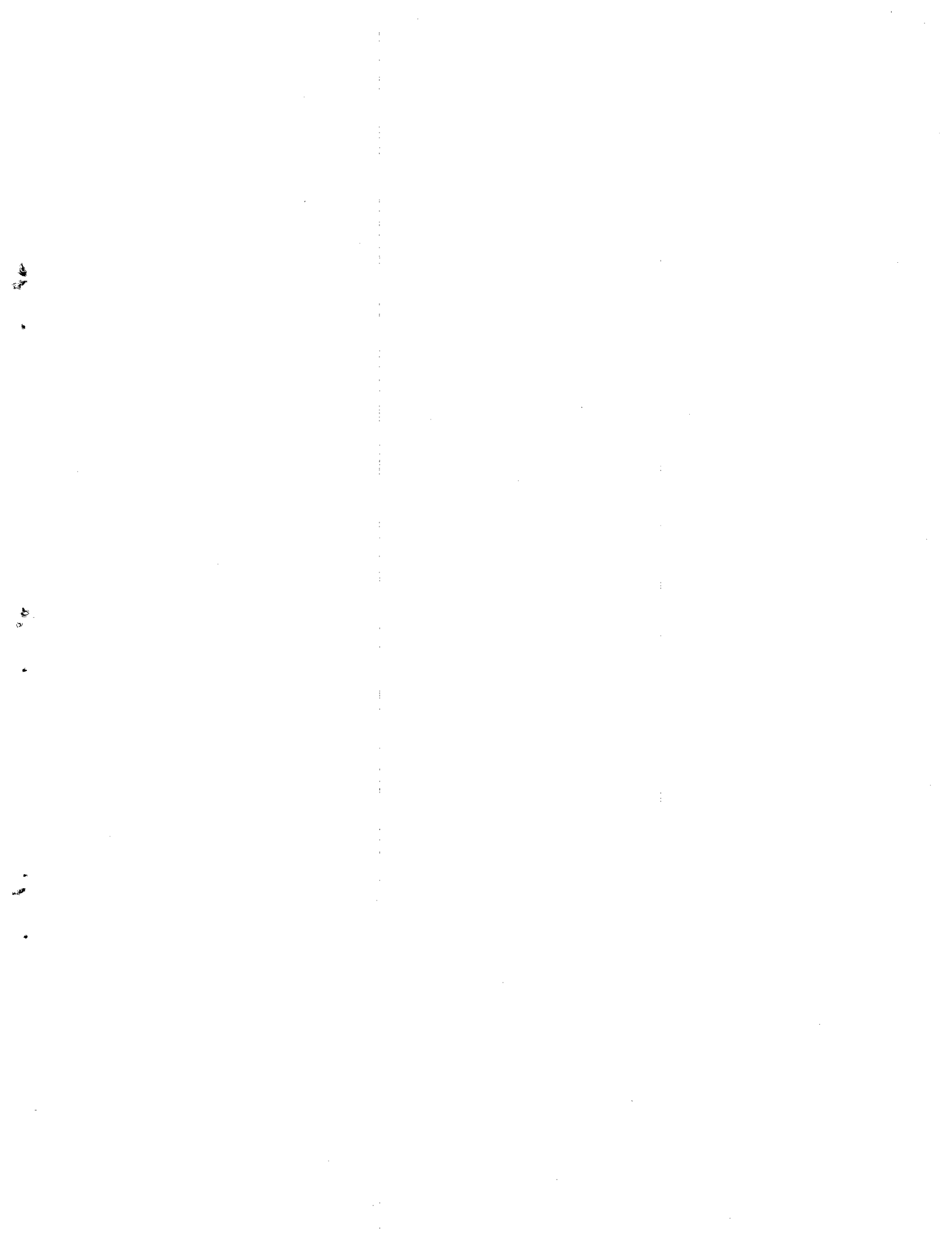
BUS SUBSIDY PROGRAM STUDY COMMISSION

Held:  
November 3, 1976  
Assembly Chamber  
State House  
Trenton, New Jersey

MEMBERS OF COMMISSION PRESENT:

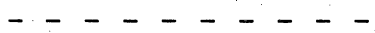
Assemblyman Michael P. Esposito (Chairman)  
Assemblyman Joseph W. Chinnici  
Anthony DiDomenico  
Irwin Flateman  
John Gilhooley  
Sanford Weiss  
Louis Gaeta, Designee of Joel Jacobson  
Richard J. Anderson, Designee of Alan Sagner  
Peter E. Stangl, Designee of Alan Sagner

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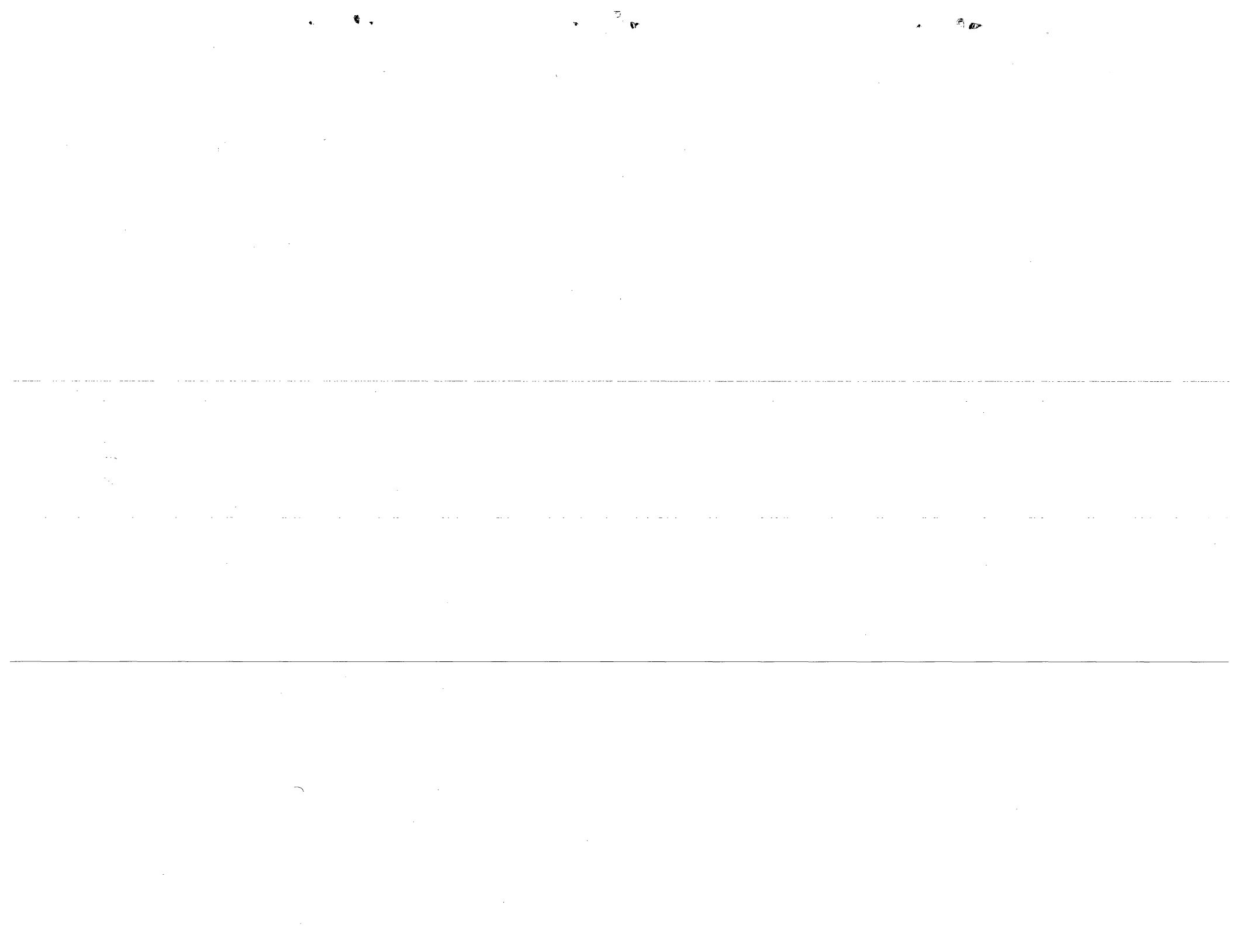


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James LeFante President Hudson County Independent Bus Owners Association	1A
John Hoschek Bergen County Board of Transportation	4A
William Beren Legislative Agent League for Conservation Legislation	11A & 1X



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21-30 :I  
1A-10A:I  
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ASSEMBLYMAN MICHAEL P. ESPOSITO (Chairman): We will open the public hearing of the Bus Subsidy Program Study Commission with a salute to the flag.

(Whereupon there was a salute to the flag.)

Good morning, I would like to welcome you to the first public hearing of the Bus Subsidy Program Study Commission. The Commission was established after passage in both the General Assembly and the Senate of Assembly Concurrent Resolution Number 172, of which I am the prime sponsor. This Resolution has directed the Commission to investigate reported abuses and inadequacies in the bus subsidy program.

As many of you undoubtedly know, the bus subsidy program originated in 1969 as a temporary program to preserve existing bus services while a permanent master plan for bus transportation could be developed. This aid program has increased from \$530,000 during the program's first year to assist six bus carriers to a subsidy of approximately \$45 million for the last fiscal year, with assistance being granted to 31 carriers.

It is readily agreed, on the part of the Department of Transportation and the Public Utility Commission as well as from representatives of the bus carrier industry, public transportation officials, a variety of transit experts and the general public, that major revisions must be made in New Jersey's system of granting subsidies to bus carriers for the system to provide efficient, economical, adequate, reliable and safe bus service to the citizens of our state.

The Department of Transportation is presently in the process of evaluating consultants' reports on how to restructure New Jersey's bus system and what measures should be taken to change the operation of the bus subsidy program. The Department has stated its intention of presenting before the legislature in the very near future a comprehensive package of major proposals to revamp the bus system and subsidy program in New Jersey.

It is for this reason that the work of the Commission is particularly timely and important. Our report is to be completed before the end of the year. We expect that it will be of value to the members of the legislature by supplementing the work and conclusions that will be presented by the Department of Transportation. We hope to provide a closer examination of existing weaknesses and inequities in the bus subsidy program so as to insure that any future laws regulating bus subsidies will eliminate the problems of the present program.

I have the distinct pleasure of serving as the Chairman of the Bus Subsidy Program Study Commission. It is composed of outstanding legislators, distinguished spokesmen of the Public Utility Commission and the Department of Transportation, knowledgeable representatives of the subsidized and non-subsidized bus carriers and concerned public citizens. The Commission benefits considerably from the collective experience, dedication, and interest of its members as well as from the different perspective that each of the members offers to the Commission.

At this time, I would like to introduce the members of the Bus Subsidy Program Study Commission, on my left Assemblyman Joseph W. Chinnici, Republican from the First District; on my left, Erwin Flateman, President of the Short Line Bus Company; on my left, Mr. John J. Gilhooley, President of the Transport of New Jersey; on my extreme right, Louis Gatea, Director of the Division of Common Carriers of the Public Utility Commission; on my extreme right, Mr. Sanford Weiss, President of Trackless Transit Company; on his left, Mr. Anthony Di Domenico, President of the Di Domenico Bus Line.

We will follow the usual procedure for a legislative hearing. If a witness has a prepared statement, please make copies available to all members of the committee. Prepared statements need not be read in full. Witnesses may request that they be made part of the record for consideration by this committee. After each speaker has made his statement, the committee members may ask questions. We trust that each question will be answered in full to the best ability of the witness. No questions from the audience will be permitted.

I have a list of those persons who have asked to testify. If there is anyone else who wishes to testify, and has not previously indicated that he wants to testify, please come forward and put your full name and the organization that you represent on the roster. I will ask that as each witness testifies he takes the seat in front and speaks clearly, giving his name, position or title, and the name of the organization he represents. We have invited a few witnesses who have a vast knowledge of the bus subsidy program. We are certain that their expert testimony will be helpful and productive. It will be carefully scrutinized after being received by this committee. After evaluating it, the committee hopes to formulate legislation that will give us a better bus subsidy program.

The first witness this morning, Sidney Kuchin, President of the Suburban Transit Corporation.

R O N A L D K O H N: My name is Ronald Kohn. I am Vice President of Operations for Suburban Transit. I am testifying in Mr. Kuchin's place. I have a prepared statement which I would like to read into the record.

ASSEMBLYMAN ESPOSITO: Do you have copies of the statement?

MR. KOHN: Unfortunately, I don't. I can get them to you after the hearing.

ASSEMBLYMAN ESPOSITO: Would you furnish copies of your statement to the Committee?

MR. KOHN: Surely. As many of you already know, Suburban Transit has in the past been critical of the current subsidy program. We have already testified before two legislative committees and provided information to indicate that the existing system is ineffective and encourages waste. We have recommended the establishment of a uniform set of standards describing the criteria for eligibility and equitable distribution of subsidy funds. We have recommended a change in the Department of Transportation's policy which permits subsidy payments for services which are competitive with non-subsidized services. Finally, we have recommended the regulation of the bus industry be made the responsibility of a single agency which would have the authority to take the necessary steps to make the state's transportation system more effective.

We have been encouraged by the fact that Transportation Commissioner Sagner and other members of his department have basically agreed with this assessment of the current situation. As a result, they have engaged consultants at considerable expense to evaluate alternatives to the present system. It would serve no useful purpose to delve into specific examples of inefficiencies or abuses of the current subsidy system, at this time, since the DOT is so near to making its recommendations for a total revision of the State's role in the area of public transportation. The only document which is accessible to the public following all of the consultant studies that have been conducted over the past several months regarding this whole issue is the Simpson and Curtin report entitled "Primary Recommendation For Revised Institutional and Financial Structures for Public Transportation in New Jersey."

Commissioner Sagner has already stated that this is a consultant's recommendation and will not necessarily coincide with the final proposal offered to the legislature

by the DOT. Even so, we would like to take this opportunity to express our opinions regarding certain recommendations proposed in this report. We strongly disagree with the basic inclusion that the State's bus service can be operated in a manner to encourage productive co-existence of public and private systems.

Under this proposal, the state would acquire those bus companies which could not operate without subsidy and make them a part of a public transportation authority. Those private carriers which could operate without public assistance would be left to do so. The report states that those transit company employees transferred to the state agency would in a short time achieve full wage and benefit equality with the state's largest transit operator, TNJ. The consultants then assumed that the employees of the remaining private carriers would be satisfied with less. In reality, this type of situation will very quickly force a downfall of the private sector. Wage and benefit differentials are tolerated only as long as there is no viable alternative.

In addition, we can foresee many other problems in attempting to implement the Simpson and Curtin proposal. For instance, the report does not examine the potential labor problems involved in state acquisition and operation of private carriers. The proposed public transportation authority would have to deal directly with all the labor unions presently representing transit employees in this state. All of these unions will want to continue to represent their members under the new system, and none will be happy about the proposed transfer of competitive lines to non-subsidized companies remaining outside the authority.

Furthermore, we feel that the consultants have grossly underestimated the potential cost of acquiring the assets of the subsidized carriers. They do admit that their estimates are "based upon limited data." The transit companies place more emphasis on the value of franchises than is taken into account in the consultant's report. The report further states that a base level service plan must be established before the state begins acquiring private carriers. This will not be a simple task. Each area of the state through its elected representatives will do everything possible to maintain its current level of service.

Our purpose in citing these examples is to indicate that the proposed transition to public authority will not be accomplished easily or quickly. It is interesting to note that the Simpson and Curtin Report does not provide an analysis of the cost experienced in other states that have public transit authorities. At a hearing before the Assembly Transportation and Communications Committee, on May 5th of this year, Commissioner Sagner after agreeing that our present system needs revision, stated that on a cost per passenger basis New Jersey still pays 50% less than SEPTA, and as little as one-third the passenger costs of many other public transit authorities. In addition, Mercer Metro, the only transit authority operating wholly within the State of New Jersey, had an operating ratio last year of 215% which indicates a higher cost level than any of the major carriers presently under subsidy.

Before making any decision which might involve the formation of the state or regional transit authority, the DOT should request a detailed study of cost levels experienced by transit authorities throughout the country. These figures, when matched against current DOT expenditures, would likely show that public authorities are not the most efficient way of providing transportation service. This information should be readily available to members of the legislature before they are asked to vote on any solution to this state's problems which calls for the creation of a public authority.

For these reasons, it seems infinitely more sensible to make an attempt at solving some of the existing problems within the framework of the current private enterprise system. The Simpson and Curtin Report requires the establishment of the

more rational basis for providing subsidy to private carriers as an interim measure. These standards, once established, should as we have previously stated describe the criteria for eligibility as well as the method of distribution for subsidy funds to private carriers. This should be done. A real attempt should be made by the DOT to eliminate duplicative services. If legal action is required in order to accomplish this, it should be initiated.

We see no reason why the state cannot provide immediate tax relief to all bus companies. The private carriers are now required to pay New Jersey sales tax, business personal property tax, bus excise tax, and New Jersey fuel tax on irregular route operations. The Simpson and Curtin Report also recommends that excess toll revenues be made available to the proposed public transit authority. We see no reason, therefore, that buses being operated in regular route service could not be allowed to use New Jersey toll roads free of charge.

In addition, there is no reason why an attempt should not be made to persuade the Port Authority of New York and New Jersey to take a more active role in assisting the state's interstate bus companies just as it has committed itself to the interstate PATH rail system. This could be accomplished by eliminating or at least reducing bridge and tunnel tolls charged to regular route carriers as well as fees charged for the use of Port Authority terminal facilities.

Finally, the legislature could be requested to provide the DOT with a stable dedicated funding source without tying public takeover of subsidized companies to the same legislation. With the exception of the request for stable dedicated funding source, we have made all these recommendations in the past. These recommendations are also not so different from the recommendations outlined in the consultant's report. The major difference, of course, is that we recommend that the DOT begin working immediately to implement the proposals. Waiting the several years that are obviously required to formulate the proposed transit authority will only permit the bus industry to deteriorate further.

This would also give ample opportunity for the DOT to observe the operation of the free private enterprise system with rational public assistance, so that the costs can later be compared with the costs of the current system and the estimated costs involved in future public operation.

ASSEMBLYMAN ESPOSITO: Are there any questions from Assemblyman Chinnici?

ASSEMBLYMAN CHINNICI: I would just like to ask, where is your home office?

MR. KOHN: In New Brunswick.

ASSEMBLYMAN CHINNICI: And what is your area of operation?

MR. KOHN: Middlesex County, parts of Somerset, parts of Monmouth, parts of Mercer.

ASSEMBLYMAN ESPOSITO: Are there any further questions?

MR. FLATEMAN: I have a question. It is my understanding that some members or a member of your bus company has been on the study committee for which you have just indicated the plans for state takeover and so on, or the combination of state takeover.

MR. KOHN: Mr. Kuchin is a member of that committee.

MR. FLATEMAN: Is the position of your company similar to that of the report? I take it that it is not.

MR. KOHN: It certainly is not.

MR. FLATEMAN: Have you made recommendations to the members of Simpson and Curtin who are preparing this report? Has that input been given to Simpson and Curtin?

MR. KOHN: By Suburban Transit?

MR. FLATEMAN: Yes.

MR. KOHN: We have, as I said, made most of the same statements in previous testimony, and I assume that was available to them. We have not talked directly to Simpson and Curtin.

MR FLATEMAN: The report that is being prepared now, which we do not have a copy of - I assume that report will be out shortly - do you know whether or not there have been any recommendations made by any other members of the advisory board as to this report - which is either incorporated in this or not incorporated?

MR. KOHN: I do not know.

MR. FLATEMAN: Thank you.

ASSEMBLYMAN ESPOSITO: Mr. Gilhooley.

MR. GILHOOLEY: Mr. Kohn is a gentleman I met when I first came to Transport. He is a former employee of Transport, and one I am sorry we let get away. I would just like to ask you, sir, whether you think that private enterprise has sufficient savvy and intelligence and wit to, itself, rationalize competition with the active support, participation and intelligent involvement of the state with respect to funds?

MR. KOHN: Under those conditions, I certainly do.

MR. GILHOOLEY: That's all I have.

ASSEMBLYMAN ESPOSITO: Mr. Gaeta.

MR. GAETA: Mr. Kohn, your statements, were they made on behalf of the operation of Suburban Transit Company?

MR. KOHN: Yes.

MR. GAETA: Is Suburban Transit a non-subsidized company?

MR. KOHN: Yes, it is.

MR. GAETA: Are there any affiliated companies with Suburban Transit who are subsidized or non-subsidized?

MR. KOHN: Well, there are several other companies. I work only for Suburban Transit. I can't answer for any other companies.

MR. GAETA: And you in making this statement are familiar with this report that you referred to? You have reviewed it and you understand all the alternatives?

MR. KOHN: I have read the preliminary report, not the final recommendations.

MR. GAETA: Has your company or you in any way offered suggestions or recommendations as to how the private sector can improve its operation so that it no longer continues to deteriorate at the rate you indicated?

MR. KOHN: Well, as I indicated today, we feel that the elimination of competitive services would help, and as Mr. Gilhooley stated, this could be done in a rational manner with some state assistance; this type of thing can be done by the private sector, yes.

MR. GAETA: Thank you very much, Mr. Kohn.

MR. GILHOOLEY: If I might add to that, as a matter ---

ASSEMBLYMAN ESPOSITO: Excuse me, Mr. Gilhooley, the Chair must recognize you. Mr. Gilhooley.

MR. GILHOOLEY: I am sorry. I am not a legislator, and I am not used to your procedures. As a matter of fact, an example of that sort of thing was achieved by the DOT in connection with the relationships between TNJ and the Lincoln Bus Company where we rationalized service by coordinating schedules, and I believe the estimate of savings in the subsidy program in that area alone was some \$500,000 a year. I think Mr. Wasserburger will be able to speak to that. That is something we have been trying to do for several years prior to the advent of the current DOT, and they were most

helpful, I think, if I may say so, in bringing us together and sitting us down, and we finally did reach an agreement. That is an example right there of the kind of thing that can be done with intelligent cooperation of the private sector with the intelligent and knowledgeable participation of people at the DOT.

ASSEMBLYMAN ESPOSITO: I will take one at a time. Mr. Di Domenico, do you have any questions?

MR. DI DOMENICO: Mr. Kohn, as the Suburban Transit Corporation has not been subsidized, have your fares been affected in any way by not being subsidized, in comparison to a company that has been subsidized?

MR. KOHN: Excuse me, did I understand you to say our fares?

MR. DI DOMENICO: Yes, your income, has it been affected in any way? You are a non-subsidized carrier, have you been affected in any way by the subsidized carriers?

MR. KOHN: Yes, of course, we compete with subsidized carriers. And that competition, we don't feel, is fair competition, because we are spending our own money to make whatever moves we feel necessary, while the other carriers are spending the state's money to fight us in the same area.

MR. DI DOMENICO: Thank you.

ASSEMBLYMAN ESPOSITO: Mr. Weiss.

MR. WEISS: You mentioned, Mr. Kohn, Mercer Metro as to what their operating ratio is. Do you have any idea as to where they started off as a subsidy, and where they are now, how that relates to the subsidy program in general, how that has mushroomed, so to speak?

MR. KOHN: I don't have any original figures, going back to Capital Transit. I have seen the 215% figure which is from their 1975 annual report. Their '74 annual report, I think, shows something around 170% or so.

MR. WEISS: Do you know how long they have been part of an authority, how many years?

MR. KOHN: No, I don't.

MR. WEISS: Thank you.

ASSEMBLYMAN ESPOSITO: The consultant's report has three alternatives, option one, two, and three. Option three is the takeover by the state, and some private companies will still operate. Why do you think this would be a gradual takeover of the entire bus system? You made that statement.

MR. KOHN: Well, very simply, I don't feel that the private sector can survive in that manner, because of the pressures of labor to achieve a quality in wages and benefits with the public sector. At this point we don't have that pressure mainly because the employees of the various private bus companies don't have the easy alternative. I think that is the basic reason.

ASSEMBLYMAN ESPOSITO: I know that one of your members served on the advisory panel. Did he make any suggestions to the consultants? Did he make this known to the consultants, why it wouldn't work?

MR. KOHN: Most of the things that I have stated today have been stated by Mr. Kuchin before that panel. That panel, as you know, has made no final recommendation on Simpson and Curtin's report.

ASSEMBLYMAN ESPOSITO: What specific action should be taken to strengthen the unsubsidized portion of the bus companies?

MR. KOHN: I feel that the recommendations that we have made today regarding tax relief, regarding relief from toll charges and all these other things should apply equally to the public and private sector, or to the subsidized and non-subsidized companies.

That will assist the private companies as well to maintain the strength they now have.

ASSEMBLYMAN ESPOSITO: Would that increase the number of people on the unsubsidized buses?

MR. KOHN: It might. Toll costs are a major expense to interstate carriers. Port Authority fees are a major expense. These things could very well have a beneficial effect on subsidized carriers.

ASSEMBLYMAN ESPOSITO: Then your company is not in agreement with any of the alternatives?

MR. KOHN: No, we have our own...

ASSEMBLYMAN ESPOSITO: You know, maybe we are getting off the intent of the legislation. We were supposed to investigate the reported abuses and inadequacies of the bus subsidy program, not to evaluate the consultant's report. I still think this information is very, very good, but have you found any abuses in the bus subsidy program?

MR. KOHN: We have, as you know, testified to those things before, and our opinion has not changed from past testimony back in May and the report we submitted last February to the members of the legislature.

ASSEMBLYMAN ESPOSITO: Do you feel there were any abuses in the program? Can you tell us about some of the abuses?

MR. KOHN: Well, I don't want to really delve into specific examples, other than to state that I feel the competitive effect that the non-subsidized companies feel as a result of the subsidy program is eventually going to eliminate private enterprise system in this industry. And that is what we have been battling since last February.

ASSEMBLYMAN ESPOSITO: Isn't one of your affiliated companies receiving subsidy?

MR. KOHN: As I say, I don't work for any company other than Suburban Transit.

ASSEMBLYMAN ESPOSITO: Can you answer the question?

MR. KOHN: Well, I, of course, am aware that a company which is partially - I might say a minority part - owned by the owner of Suburban does receive a subsidy. But I have nothing to do with the operation of that company.

ASSEMBLYMAN ESPOSITO: Thank you. Mr. Flateman.

MR. FLATEMAN: Now, you had mentioned something about the Department of Transportation and another department, that there is some conflict between who comes under whose jurisdiction, I believe; is that true?

MR. KOHN: There is conflict between the DOT and the PUC.

MR. FLATEMAN: Let me ask you a question. You compete with carriers that are on subsidy; do you not?

MR. KOHN: Yes, we do.

MR. FLATEMAN: Under whose jurisdiction do you come?

MR. KOHN: We come under the jurisdiction of the Interstate Commerce Commission and the Public Utility Commission.

MR. FLATEMAN: I am talking about New Jersey.

MR. KOHN: That would be the Public Utility Commission.

MR. FLATEMAN: For carriers on subsidy, under whose jurisdiction do they come?

MR. KOHN: The Department of Transportation.

MR. FLATEMAN: So that rules which apply to you may not necessarily apply to some of the subsidized carriers; would that be true?

MR. KOHN: That is correct.

MR. FLATEMAN: Would that hold true, for example, in a request for rate increases?

MR. KOHN: Most certainly.

MR. FLATEMAN: I have a few other questions. Are there any railroads that compete with your operation?

MR. KOHN: Yes.

MR. FLATEMAN: Are these railroads subsidized?

MR. KOHN: Yes.

MR. FLATEMAN: How does that subsidy effect your operation?

MR. KOHN: It affects us directly insofar as their fare structure is being held down. Ours cannot be, if we want to maintain our status as a non-subsidized carrier.

MR. FLATEMAN: Would you have any idea as to how much each passenger is subsidized on the rail from a given point, as compared to the fare that you charge from that same point, let's say, to New York City?

MR. KOHN: I do not. I can only tell you if you go back four or five years, the bus service was a much cheaper means of commuting. That is no longer the case. The rail fares have been held down to the point where from some areas of this State, the fares are very similar.

MR. FLATEMAN: What would you say the greatest evil of the present subsidy program is, in your opinion?

MR. KOHN: The competition between private carriers and subsidized carriers.

MR. FLATEMAN: Do you feel that private enterprise, assuming that the same subsidy program were to continue, could continue to be private?

MR. KOHN: Not for long.

MR. FLATEMAN: Thank you.

ASSEMBLYMAN ESPOSITO: Before we proceed, I would like to introduce another member of the commission, representing Commissioner Sagner, Mr. Richard Anderson.

ASSEMBLYMAN CHINNICI: I have a question. Sir, you mentioned the fact that tolls played an important part in the fares charged to the commuter. Could you tell me on an annual basis how much your company pays in tolls for the use of roads, bridges and tunnels? And how would it percentage-wise affect the cost of a commuter fare?

MR. KOHN: Without doing some research, I cannot answer you specifically. I would estimate, however, that turnpike and Port Authority fees, including the use of the tunnel, costs us in the vicinity of \$400,000 a year.

ASSEMBLYMAN CHINNICI: Thank you. You have no idea, of course, what the effect would be on the individual fare?

MR. KOHN: No.

ASSEMBLYMAN CHINNICI: Thank you.

ASSEMBLYMAN ESPOSITO: Mr. Gilhooley.

MR. GILHOOLEY: Mr. Kohn, I took the trouble to look through the record of the PUC with respect to the operations of Suburban and I note the following, that taking the year 1969 and comparing with 1975, to save time, I have all the figures, the subsidy program began in '69. In '69 your Suburban passengers were 2,600,000 and they are now 3,500,000. Your passenger revenue in '69 was \$2,500,000. It is now \$5,100,000, and your net carrier operating income was \$81,000 in 1969; you reported \$191,292 in 1975.

Further, this information comes from the records of the DOT. I note that in the two bus companies in which Suburban has an interest, Middlesex Bus and Plainfield Transit, the combined request for the fiscal subsidy of 1977 is \$304,434. Now, the figures I have given you are facts that are demonstrable. I think they should be in the record, Mr. Chairman.

MR. KOHN: I might reply to that first part of your statement by saying that fortunately for Suburban Transit we are in a growth area and a lot of the increase in revenue and passenger figures which you cite are a result of that growth, specifically in the Hightstown area.

MR. DI DOMENICO: Mr. Kohn, you mentioned to Mr. Flateman that a subsidized carrier is under the jurisdiction of the DOT, while an unsubsidized carrier is under the jurisdiction of the PUC. Would your opinion be that if both carriers were under one jurisdiction it would be easier to make a comparison and then recommend operation changes?

MR. KOHN: Certainly it would be easier for the state to guide the carriers toward a more rational level of service and plan of service.

ASSEMBLYMAN ESPOSITO: Have you evaluated or considered the preliminary recommendations of the Ferrara study that was made also by the consultants regarding the establishment of better incentives and disincentives in the bus subsidy program? Have you studied that?

MR. KOHN: I have not seen that.

ASSEMBLYMAN ESPOSITO: Are there any further questions? Thank you, Mr. Kohn. Milton Wasserburger, President of the New Jersey Motor Bus Association.

M I L T O N W A S S E R B U R G E R: Good morning, my name is Milton Wasserburger, President of the New Jersey Motor Bus Association. I am pleased to appear on behalf of the New Jersey Motor Bus Association which has such a vital stake in your deliberations. I have been privileged to serve ten years as President of the New Jersey Motor Bus Association whose 92 privately-owned member companies provide approximately half of the bus service in New Jersey.

The timeliness of your hearing is magnified by the fact that the Department of Transportation has within recent weeks issued the preliminary recommendation of a study to restructure public bus transportation in New Jersey. The firms making this study - Systems Design Concepts, Incorporated and Simpson and Curtin - proposed that a new public transportation agency be established to take over ownership of all subsidized companies, leaving non-subsidized firms in private hands.

The study rejected two other alternatives, one, to continue the present system of largely private ownership with non-profit making firms being subsidized and, two, a full takeover of all bus companies by the PTA or regional agencies. The report sets a ballpark figure of \$100 million for the full takeover. For the recommended partial takeover, it estimates a top figure of \$55.6 million. Of the total, 80% would be borne by the federal Urban Mass Transit Administration.

It should be noted that the report also bears the warning that these estimates are offered for planning purposes only.

All of us are familiar with the escalation of planners' estimates. Rather than point to any New Jersey project, let's just cite New York's plans to renovate Yankee Stadium for \$24 million. This project wound up costing \$100 million. We do not reject out-of-hand any such takeover proposal. Every sound businessman must be receptive to the possible sale of an enterprise. The real question is price. No businessman can give up an established operation, even though it may be subsidized in order to continue services necessary to the public, without the prospect of a solid return for his assets.

The study also envisages considerable operating deficits. It proposes to finance these deficits largely from highway user revenues. I am certain the legislature will hear from that quarter should the proposal show signs of advancing.

I think we can safely say that all projections of operating deficits are modest. As a Director of the National Association of Motor Bus Owners, I am keenly aware that the

record of public takeover of existing private bus companies shows, without exception, I believe, a multiplication of deficits. Indeed, the types of pressure to which a public agency would be subject is already indicated by labor support for legislation currently pending to establish a public transportation subsidy. This bill was directly related to the bus driver unions' inability to break the determination of privately-owned companies, although they were subsidized firms, to do away with the bankrupting automatic cost of living provision. Labor and its friends in the legislature felt correctly that a public authority would be much less resistant to such economic demands. Experience in other states justifiably leads them to such a conclusion. If there is a state takeover of only the subsidized companies, we can expect resultant new burdens for the taxpayer.

Furthermore, even if the recommended partial takeover is undertaken, it should not be too long before most, if not all, of the presently profitable firms move into the red and public ownership. This is only logical when it is realized that the PTA will have life and death power over rates to be charged, routes to be serviced by the privately owned firms. Human nature and governmental tradition being what it is, the new authority will be reluctant to permit necessary base increases and route changes when such denials could lead to an enlargement of its jurisdictions.

Even today, we see the paradox of the Public Utility Commission refusing non-subsidized carriers the right to raise fares to the levels long permitted by the Commuter Operating Agency for subsidized carriers. Why should the PTA be any different?

I think you may agree that the recommended restructuring is a long way off. Meanwhile, bus service must continue from day to day; we must meet payrolls; and, unfortunately, the taxpayer must continue to provide a subsidy. The question is: "What do we do now?"

The New Jersey Motor Bus Association does not seek to defend the present system and, in almost eight years as a member of the Commuter Advisory Committee of the Department of Transportation, I have personally expressed such views. We deplore the division of regulatory authority for intrastate operation between the COA and the PUC. It is of fundamental importance that control over routes and fares be consolidated in one agency, otherwise we will see more of such situations where buses running over the same routes are required to charge different fares for the same service. Either this condition inflates the subsidy that must be paid to some carriers, or it drives some non-subsidized carriers into the subsidy program at the expense of the taxpayers.

As we have expressed on a number of other occasions, the State of New Jersey each year spends tens of millions of dollars in bus and rail subsidies without one line of regulation governing the application of these funds. Our subsidized members do not know from day to day what accounting rules, what operating restrictions or other provisions will be applied at their next audit.

Furthermore, the subsidy program has no provision for incentives that would encourage more efficient operation of the bus lines. Two years ago, we presented the Transportation Department with detailed incentive proposals. Nothing has happened.

Also, the subsidy program does nothing to encourage the public to use these services, not even a tiny fraction of the millions in subsidies is being used by the State to promote bus ridership through advertising, public education, and other means. There have been such local programs on a limited basis in New Jersey, and on a more widespread scale elsewhere. Perhaps a well conceived mass transit advertising program could reduce the drain on the taxpayer.

At the same time, those companies that are struggling to make their way without a subsidy encountered unreasonable delays and extraordinary difficulty in obtaining changes in fare structure and in operating schedule to reflect changing economic ridership conditions. The result of such insensitive response by the Public Utility Commission can only be to drive more viable carriers into a deficit situation and into the subsidy rolls.

We think that a unified regulatory agency should set as a first priority discontinuance of service - and subsidy - on routes that do not achieve a certain minimal level of patronage. There are a number of such lines needlessly operating today, maintained largely by the desire of some public officials not to rock the boat of public opinion.

These are the problems that should be addressed by this hearing and by the studies to which it is related. We can draw all the diagrams in the world showing a unified system under full or partial ownership. They don't reflect the real world.

Let me recommend that we concentrate on making a real world workable. Let's establish a rational subsidy program with fair rules understood by all. Then we can move forward to revise the whole structure. Your Commission represents an important instrument in finding these solutions. Thank you very much.

ASSEMBLYMAN ESPOSITO: Thank you. Mr. Wasserburger, you claim that you represent the private companies, those are the subsidized and non-subsidized bus companies?

MR. WASSERBURGER: Yes, sir.

ASSEMBLYMAN ESPOSITO: Another question I would like to ask you, did you serve on the advisory panel?

MR. WASSERBURGER: Yes, sir.

ASSEMBLYMAN ESPOSITO: Did you make this known to the consultants?

MR. WASSERBURGER: No, sir.

ASSEMBLYMAN ESPOSITO: You didn't?

MR. WASSERBURGER: We never had the opportunity, sir.

ASSEMBLYMAN ESPOSITO: You mean you were on the panel, and ---

MR. FLATEMAN: That was a different panel.

MR. WASSERBURGER: Which panel are you talking about, Mr. Chairman?

ASSEMBLYMAN ESPOSITO: Weren't you on this panel? I thought I saw your name on it as an advisor.

MR. WASSERBURGER: I am on the panel as an advisor with the Department of Transportation. I sat in on one meeting with representatives of Simpson and Curtin.

ASSEMBLYMAN ESPOSITO: Yes, but did you make your views known?

MR. WASSERBURGER: Mr. Chairman, when I attended that meeting we walked in, several men spoke from Simpson and Curtin, told us what their plans were; we asked some questions; they told us they would give us further information as to what their plans were, and the next thing we knew, a report was given out. We were never shown the report before it was given to the public, the newspapers, or anyone else.

ASSEMBLYMAN ESPOSITO: I totally agree with your views, but I know when I sat in on that panel representing the legislature, I made my views known. I think I did a lot of talking.

MR. WASSERBURGER: The one meeting that I had the opportunity to attend---

ASSEMBLYMAN ESPOSITO: The only meeting I missed was the last meeting, because I had an important commitment that day, but I attended every one of those meetings.

MR. WASSERBURGER: Well, I missed the first meeting because I had an important

commitment, and went to the second meeting. I never had an opportunity to present my views or anything else, Mr. Chairman.

ASSEMBLYMAN ESPOSITO: Thank you. Assemblyman Chinnici.

ASSEMBLYMAN CHINNICI: No questions.

ASSEMBLYMAN ESPOSITO: Mr. Flateman.

MR. FLATEMAN: I have a few questions. I would like to clear up something on the different advisory committees. Apparently, there are two studies. The report that is out now from Simpson and Curtin is not the same panel that Mr. Wasserburger and I sat on. That is another report, which I understand will be coming out sometime in the future. That is not the same one, apparently.

ASSEMBLYMAN ESPOSITO: What was your panel for?

MR. FLATEMAN: This was to try to come up with a new approach to a subsidy program. Apparently the report that is floating around here some place is recommendations on how the state should proceed in the entire transportation package. It is a plan that Curtin and Simpson has given for the future status of transportation within the state, and that is a little different than the committee that we were on, but I would like to ask some questions pertaining to the matter at hand.

Mr. Kohn of Suburban had mentioned that an approach to the evils of the present subsidy program would be a review of Port Authority charges to bus operators, elimination of toll charges to bus operators and certain elimination of taxes to the bus industry which in fact would eliminate the need for the amount of subsidies which they are presently getting. Do you agree with that?

MR. WASSERBURGER: Yes, sir, I do. I think the step was taken in the right direction several years ago through the efforts of both the association of Transport of New Jersey where we were able to reduce license fees from approximately in the vicinity of \$140 a bus down to \$10 a bus. We were able to, through legislative endeavors, reduce franchise taxes for routes within the state. I think you are aware, Mr. Flateman, that I represented the carriers both in short haul and long haul negotiations with the Port Authority. Through the efforts of Transport of New Jersey and the New Jersey Motor Bus Association, we have been at least partially successful in what is known as short haul operations in keeping their fees at a level not above what they were - although they are too high, but at least we did not get any increase. As far as long haul operations, we are in a state of limbo because of litigation. We feel that their charges are unfair and unreal, and if we are successful in this, I think it will be a step in the right direction.

We have made suggestions to the Port Authority concerning fees through the tunnel. We were successful in reducing it from \$1 per bus to 90¢. We were successful in keeping it at that level, when the cars were increased. We were successful just in the last year when the car tolls were increased on the New Jersey Turnpike in keeping the buses at the same level they had been previously.

MR. FLATEMAN: But the bus operators at present do pay very substantial sums to the Port Authority and to the turnpikes in the form of tolls or commissions or whatnot.

MR. WASSERBURGER: I think it would be fair to say that in a normal operation, and there are many, many different types of operations in the State of New Jersey tolls both for the Port Authority and toll roads pretty near average 6¢ on a dollar of revenue.

MR. FLATEMAN: Let me ask you as President of the Association, the New Jersey Motor Bus Association, one of the evils that seems to crop up constantly in the present

subsidy program is the wasteful duplication of dollars paid by subsidies to operators competing over the same routes. Is that a fact?

MR. WASSERBURGER: Certainly.

MR. FLATEMAN: I have also heard in many cases -- a company's routes could be purchased for what it would cost -- the subsidy dollars would be substantially reduced if in fact they could eliminate that kind of service. Would that be a fact in some cases?

MR. WASSERBURGER: In my opinion, there are some companies that receive subsidies, and for years the line could be bought.

MR. FLATEMAN: Could you tell us about that? I mean, is this---

MR. WASSERBURGER: Well, I would rather not name the lines.

MR. FLATEMAN: No, I am not talking about naming the lines. You are saying that the amount of subsidy that is paid ---

MR. WASSERBURGER: I know several instances where a line might be worth \$2 million, and they would receive subsidies of over \$2 million in three years.

MR. FLATEMAN: And while that is happening, an operation running duplicate service would also receive approximately that same \$2 million -- I would assume would be over ---

MR. WASSERBURGER: It might be more and it might be less.

MR. FLATEMAN: So that in fact if that subsidy money or monies set aside to do the same thing would eliminate one of the operations, the state would save very substantial amounts of money; wouldn't they? Well, first of all, I would have to assume that they wouldn't have to pay one of the subsidized operators.

MR. WASSERBURGER: I don't see how they could not save money.

MR. FLATEMAN: Let's talk about some of the routes that you say some of the bus operators have that are entirely unnecessary and yet subsidy monies are being paid for those. Does anyone from any agency evaluate any of the route structures in trying to make a determination as to whether or not service is required or whether it is something that a company has had for a thousand years, and they might just as well continue it for another thousand years?

MR. WASSERBURGER: No, I believe that there have been studies made and that the Department of Transportation knows that these lines really could never pay if they ran from now until kingdom come. However, there are different problems that are involved. You have ethnic problems; you have economic problems; you have areas that are considered to be in a low class, let's say, where any other means of transportation would not be available, such as a private car or a train, or something like that. We then have situations where political pressure is put on, where the legislator in that area says, "I could never allow my constituency to lose that service," even though we know that this line can never pay and can never do the job. The fare box will never support it.

MR. FLATEMAN: So I guess what you are really saying is that under a fully free enterprise system a bus operator might eliminate certain services which are uneconomical and basically have no value, however, he is not permitted to do that under the present system.

MR. WASSERBURGER: That is correct.

MR. FLATEMAN: Let me ask one other question. In the evils of the subsidy program, the present subsidy program, what is the position of the bus operators with regard to competitive rail service?

MR. WASSERBURGER: I would like to answer that question this way, Mr. Flateman, eight, nine, and ten years ago when Commissioner Goldberg was in office, and the following

Commissioner was in office, as a member of the advisory commuter committee, the red flag was waving, the signals were out, and constantly, I personally - not speaking for any other member of that Committee - said that down the road what was happening to the railroads then will happen to the bus industry within the next five to ten years.

I do not throw any accolades at myself. It was there for everyone to see. I mean, I think a person would have to be blind not to have seen what was coming, where a taxpayer who never rode a train in his life was paying for everybody else to do it. You have the same situation in the bus industry today. I don't think that the taxpayer is ready to accept what we are talking about today as a social obligation. My children are all through school, but I still pay for someone else's education. We don't pay for our policemen only when there is a robbery; it is a social obligation to have police. I don't pay for a fireman only when I have a fire in my home; it is a social obligation. You need evolution. You have to go out and teach the people that transportation is one of the most important parts of this country's economic survival. Until everyone realizes that without it this country can fail and fail seriously economically, we are going to be in trouble.

I hope I have answered your question.

MR. FLATEMAN: Yes. I just have one more. Is it then your thought that taking the position that you do with the fire departments and the police departments that transportation would better be nationalized?

MR. WASSERBURGER: Oh, no, sir, I believe in private enterprise.

MR. FLATEMAN: Thank you.

ASSEMBLYMAN ESPOSITO: Do you have any questions, Mr. Anderson?

MR. ANDERSON: Thank you. I would just like to get the record straight about these studies. There are two studies nearing completion in the Department of Transportation which bear heavily on the deliberations of the Committee, in a way. The first is called the "Organization and Finance Study." This is under the direction of Assistant Commissioner Stangl. The intent of that study, which is the study that a draft recommendation has been circulated from the consultants, has to do with how the state should organize and finance its entire public transportation effort. Now, that is a joint study done by two consulting firms, one is called Sydech Corporation and the other is Simpson and Curtin.

Now, there is a draft report being circulated, and Mr. Wasserburger is not on the advisory committee for that study. The second study underway is a study under my direction which is directed solely at the bus subsidy program, and how payments are made. It was our understanding that we did, as admitted earlier, need to replace the bus subsidy program, the emergency program, with a permanent vehicle, and that there was a possibility that the legislature might not act in rapid fashion on the organization and finance study. In addition to which, if one were to compare a subsidy program with private ownership, it was our desire that the comparison be made with a good subsidy program, one that we thought was an effective program, rather than the emergency program we are operating under. So, therefore, we developed this study which is under my direction and a report, a draft report, has not been issued yet on that study.

However, the consultant team has been visiting various bus firms throughout the state and reviewing with them in great detail how the new standards of payment would work. For example, we have met with Mr. Gilhooley's people at TNJ approximately six times. The consultant team and one of my people, a total of three men, reserved a day with Mr. Wasserburger, and arrived to find that Mr. Wasserburger was unable to make the time available, so the day that was to be spent with Mr. Wasserburger explaining

to him in great detail the workings of the program did not come off. Thank you.

ASSEMBLYMAN ESPOSITO: Do you have any questions, Mr. Gilhooley?

MR. GILHOOLEY: First, may I ask Dick Anderson when we might expect to have some final draft of the report on the improved subsidy program? By the end of this month publicly? By the end of November, that would be in our hands?

MR. ANDERSON: Yes, as far as I know.

MR. GILHOOLEY: Thank you. Now, Mr. Wasserburger, I note just two points here; one, that you say that the study which is now a draft proposed to finance these deficits largely from highway use of revenues. I believe that there are several sources that have been suggested, and they are in the conjunctive - one is highway use of revenues, and the other is the sales tax on gasoline.

MR. WASSERBURGER: That's right, sir.

MR. GILHOOLEY: And there also is some reference, as I recall, or some implication that there is going to have to be a continuing source of funds from the general revenues. Is that your understanding?

MR. WASSERBURGER: Yes, sir.

MR. GILHOOLEY: Now, may I draw on your many years of experience in this industry and ask you for your opinion as to what would happen if alternative three were consummated? What would happen to the wage rates of the bus companies who are paying lower wage rates than the top wage rate in the state?

MR. WASSERBURGER: They would never meet in the middle, Mr. Gilhooley. They would go to the top.

MR. GILHOOLEY: They would go right to the top; is that your position?

MR. WASSERBURGER: Yes, sir.

MR. GILHOOLEY: What kind of power do you think that would place in the hands of the union in terms of working their will on the public agency in terms of collective bargaining negotiations?

If 80% - and now I am talking about number three - of the bus service in this state came up for collective bargaining negotiations and demanded, for example, that they be included or that they get benefits in their pension plan equivalent to the state pension plan because they are in effect state employees, recognized or not, and the ETC or whatever this organization is to be called said, "No," and they struck, would you regard this as a disaster for the State of New Jersey in terms of transportation?

MR. WASSERBURGER: Yes, sir.

MR. GILHOOLEY: Now, sir, one final question. You have also stated on page two that if the recommended partial takeover is undertaken it would not be long before most, if not all, of the presently profitable firms moved into the red and public ownership; therefore, if I understand what you are saying, alternative three within a short time would metamorphose over into alternative two.

MR. WASSERBURGER: That is correct, sir.

MR. GILHOOLEY: Therefore, the situation we talked about with respect to the power of labor would be exacerbated and the entire state, including those companies who are private under three, if two came about, would also go up.

MR. WASSERBURGER: Yes, sir, absolutely.

MR. GILHOOLEY: Now, there is the possibility that the unions in order to achieve what they want, as you note, would agree to mandatory arbitration as they did, for example, in New York City in 1966 under the Taylor law. And as you know, they struck for sixteen days.

MR. WASSERBURGER: Yes, sir.

MR. GILHOOLEY: Do you regard that as sufficient protection for the

citizen of New Jersey against the kind of disaster that we have envisaged here in the event of either a partial or total takeover of the private companies?

MR. WASSERBURGER: Mr. Gilhooley, I think I can envision the shut down of this state.

ASSEMBLYMAN ESPOSITO: Mr. Weiss.

MR. WEISS: It seems as though the alternative of the public takeover seems to be looked at as a panacea all the time. In your experience, say, in New York or any other parts of the country do you have any idea or do you know what has happened, and how the costs have escalated, if they have, after a public takeover?

MR. WASSERBURGER: I would be the happiest one in the world, Mr. Weiss, to have someone show me any place in all of the 50 states of this union where public takeover was accomplished and costs were reduced.

MR. WEISS: Is it then your opinion that the private sector negotiating their own business will have more success or has had more success in keeping the costs down than the public takeover?

MR. WASSERBURGER: I am absolutely certain of that, not only in my own opinion but because public figures issued by the Department of Transportation of the United States proved what I am saying.

MR. WEISS: Thank you.

ASSEMBLYMAN ESPOSITO: Mr. Gaeta.

MR. GAETA: Thank you, Mr. Chairman. Mr. Wasserburger, is it your contention that the subsidized companies competing with the non-subsidized companies gives the subsidized company an unfair competitive advantage at the taxpayer's expense?

MR. WASSERBURGER: It probably becomes inevitable, Mr. Gaeta. Previously, Mr. Gilhooley referred to a situation of one of his lines, the number 119 which runs between New York, Lakewood, Atlantic City, and Cape May. A company known as Lincoln Transit operates practically speaking, foot by foot, not to become too verbose, but to give you some kind of an example, originally, both these lines were predominantly vacation lines. In other words, people used them to go on vacations. In the winter, the Lakewood area at one time was what Miami is today. However, the jet came into existence, and people instead of going to lakewood went to Miami and got better weather and could get there a lot faster.

Through growth from approximately 50 miles out of New York City you have a change. Years ago we called it suburban living, today I would call it perimeter living, where people are willing to commute 50 miles to go to their place of work because of urban conditions, whether they be safety factors, or whatever, they wanted the wide open spaces, the ecology, et cetera. TNJ went on subsidy before Lincoln Transit did. I would say one of the principal reasons that Lincoln Transit was forced to go on subsidy was because they were competing with the line that was on subsidy. Through the efforts of TNJ and the principals of Lincoln Transit Company and with the direct cooperation of the Department of Transportation, meetings were held, coordinated schedules came into existence, some terminal facilities were combined, some were eliminated, some schedules were added, some were decreased. I think Mr. Gilhooley rightfully says that within a year I think there should be a savings to the taxpayers in the neighborhood of \$500,000. And the system is working, and it is working very well.

MR. GAETA: Thank you very much.

ASSEMBLYMAN ESPOSITO: Mr. Di Domenico

MR. DI DOMENICO: Mr. Wasserburger, what you were just telling us is that we have two lines being subsidized on a duplicate route.

MR. WASSERBURGER: Yes, sir.

MR. DI DOMENICO: Wouldn't it be more economical for one to cease operations and maybe buy the other one out?

MR. WASSERBURGER: No, not at the present time. I think that this plan that was developing with the auspices of the Department of Transportation should be given a chance. There is a good possibility that the subsidy on those particular routes could be reduced to what I consider a fair and equitable subsidy and hopefully operating assistance might be able to be eliminated. I would not say that capital assistance would be eliminated. I think that in my own opinion capital subsidies could be a direct answer to many of the problems in the State of New Jersey.

MR. DI DOMENICO: It wouldn't be your opinion that if one operator had it there would be no subsidy at all, not just only a savings.

MR. WASSERBURGER: There is a possibility of that. It is very hard to say at the present time, because this plan went into effect June 26th of this year. At the time it went into effect you were into what would be called the peak season as far as vacations are concerned. I think we have to go through a winter and see what has happened as a result of that.

You must realize that this line has now changed and is not strictly a vacation situation. You have a combination of pleasure riders and you have a combination of commuter riders.

MR. DI DOMENICO: And at the present time we are coordinating the schedules, but our dispatchers could be used elsewhere. We would be under one operation, and our expense would be that much less.

MR. WASSERBURGER: I don't know if monopoly is always the answer, Mr. Di Domenico. I believe in competition. I think this country is built on competition. I was brought up that way, and there hasn't been anything that has happened in this country to change my mind. I think competition is the answer.

MR. DI DOMENICO: That's true, but both lines are actually being subsidized by the taxpayers of New Jersey. And as Mr. Flateman mentioned earlier, maybe the money we would save on subsidy we would be able to buy out the other company.

MR. WASSERBURGER: I again say that is a possibility, Mr. Di Domenico, but I don't think this plan has been given a chance. It only started June 26th, and we know it is a step in the right direction and I can possibly foresee in the future operating subsidies being brought down to an absolute minimum or possibly disappearing. I do feel - and I reiterate - that it may be necessary for capital improvements.

MR. GILHOOLEY: Mr. Chairman, if I may interrupt for a moment, I would like to hopefully contribute to this discussion, since you are talking about me as well. I think we might well bear in mind that subsidy is a payment to a company in order that it can remain in operation and keep its fares at a reasonable level. The subsidy program is beneficial to the rider because it keeps its fare down to a reasonable level.

The reason the ICC was established in the first place to regulate buses was to provide for a system of competition and to prevent monopoly, and if you begin to establish monopolies around New Jersey, you are going to have the pressures for enormously increased fares, and I think that has to be kept in mind.

MR. DI DOMENICO: Isn't it true that a subsidized carrier being under a different jurisdiction, that the PUC is given a larger fare in the State of New Jersey where an independent owner that is not subsidized is given a lower fare and besides the subsidized carrier receiving a higher fare, he is also subsidized.

MR. WASSERBURGER: No, sir, I would not say that as a general rule.

MR. DI DOMENICO: Well, isn't that the system that we are studying today? Subsidized carriers besides being given the money to operate are given higher fares. We have the situation in Hudson County where an unsubsidized carrier's fare is lower than the subsidized carrier, and he can't get permission from the PUC. That is what the cry of the bus industry seems to be today.

MR. WASSERBURGER: Of course, as you know, Mr. Di Domenico, I do know something about the Hudson County situation. It is certainly unique when you start to talk about what is called in our business the "Mom and Pop" operations, where you have a one bus ownership or two bus ownership, et cetera. What we are talking about here now are larger operations with revenues in much bigger figures. In these particular lines which I have given as an example, the Department of Transportation granted the right to these two lines to seek a 10% increase in their fares from the Interstate Commerce Commission to be effective February 1st. TNJ received their permission before Lincoln received theirs, not that much longer, but the revenue that was to be realized as a result of the 10% increase was not kept by the companies. The amount was reduced from the subsidy program.

In other words, if they were going to pick up \$100,000 as a result of that increased fare, their subsidy program was reduced by that \$100,000.

MR. DI DOMENICO: It seems to be that the subsidy monies are getting higher instead of lower, even though the fares have been going up.

MR. WASSERBURGER: Mr. Di Domenico, I am kind of sure that you are familiar with the inflation that we happen to all be in at the present time, and I think a lot has to do with that.

ASSEMBLYMAN ESPOSITO: I would like to interrupt. Mr. Di Domenico, I wish you would limit your conversation to asking questions, not to engage in dialogue, because we are wasting a lot of valuable time.

MR. DI DOMENICO: I am sorry. You mentioned in your statement earlier that there are a number of lines needlessly operating today; they are maintained largely by the desire of some public officials not to rock the boat of public opinion. Would you like to comment further on that statement?

MR. WASSERBURGER: I think most of those lines, Mr. Di Domenico, and I think I have commented on it in addition to my statement, are local transit lines in depressed areas, et cetera, that are entirely unnecessary. I know of lines today that operate within the State of New Jersey where you don't take enough in to pay the driver, no less the cost of the operation. The driver may be getting \$7.59 and the bus does not take in \$7.59 an hour, and that is excluding depreciation on your equipment and the cost of tires, fuel, et cetera.

MR. DI DOMENICO: Thank you.

ASSEMBLYMAN ESPOSITO: I would like to introduce another member of the panel, who represents the public sector, Mr. William Morley.

Mr. Flateman.

MR. FLATEMAN: Mr. Wasserburger, I don't know if you can answer this question, but I would like to pose it. You indicate in your statement that the report, which I guess you have seen, of this organizational financial study indicates a ballpark figure of \$100 million for a full takeover. Do you, as President---

Well, most of the members of the New Jersey Motor Bus Association are union members; is that correct?

MR. WASSERBURGER: I think there is only one that I know of that is non-union.

MR. FLATEMAN: Then could you give me a ballpark figure of what the unfunded pension liabilities would be for the various companies in the Association? Would it exceed \$100 million including Transport of New Jersey, which is not a member of the Association? Would you think it would exceed \$100 million?

MR. WASSERBURGER: Well, the last figure I had, Mr. Gilhooley is sitting right here, and he would know it a lot better than I do, but I think the last figure I read was something around \$85 million, and they are unfunded. But let's leave Transport of New Jersey out of it. I would say the unfunded pension plans of the members of the Association would probably exceed \$100 million.

MR. FLATEMAN: Then I am confused about this \$100 million for full takeover. I assume that does not take into account the fact that the State is going to assume any responsibility for the unfunded program; and if they do assume a responsibility for the unfunded program, the dollars would far exceed \$100 million.

MR. WASSERBURGER: Of course, the way I read the report, it wasn't by the State, it was by a couple experts, and I don't think they gave one single thought, in my own opinion, to any pension funds.

MR. FLATEMAN: Thank you.

ASSEMBLYMAN ESPOSITO: Mr. Wasserburger, I have read about the ballpark figure of \$100 million. You claim that 80% of that would be borne by UMTA and 20% by the state. We have no guarantee of that \$80 million.

MR. WASSERBURGER: We don't have any guarantee, Mr. Chairman, of what is left in the fund at UMTA. The last figures I saw showed that if we were to spend what is on the programs today, the PATH extension, the electrification of the railroad, as far as Red Bank, et cetera, the State of New Jersey would not get any money from UMTA until 1981.

MR. GILHOOLEY: Are you saying that the State of New Jersey has committed all of its UMTA funds to rail projects?

MR. WASSERBURGER: Well, Mr. Gilhooley, I get myself in a paradoxical situation when I talk about these things. I find that there are two terms, one is committed, and one is allocated, and I have been unable to determine the difference between committed and allocated. The last answer I had was that when it was allocated it was on the drawing board, and when it was committed that was it. I can't honestly tell you whether these funds have been committed; I certainly would go along with you and say they have been allocated. The last figures that I saw, if you had the 80% of the funds that PATH's extension to Plainfield would cost, the electrification of the railroad to Red Bank, some highway plans that are on the boards, et cetera, there would be no money left from UMTA until 1981 - the proportion that New Jersey is entitled to under the UMTA plans.

MR. GILHOOLEY: That is my understanding, too. Thank you.

ASSEMBLYMAN ESPOSITO: Mr. Wasserburger, you stated two years ago you presented to the DOT a detailed list of incentive proposals to encourage more efficient operation of the bus lines.

MR. WASSERBURGER: Yes, sir.

ASSEMBLYMAN ESPOSITO: Could you summarize some of these proposals? Could you also make a copy of the list for the Commission?

MR. WASSERBURGER: This was done at a great cost, and many, many hours of labor as a joint plan between the New Jersey Motor Bus Association and TNJ, or New Jersey, and TNJ accepted most of the burden and did one fabulous job on it, as far as making available all their records, adjoining charts, et cetera. I believe it was the first week of August, 1974, that we met in Commissioner Sagner's office. We presented the

plan. Very truthfully, it copied - not entirely, but was sort of predicated on - the New York plan, where transit operators would receive subsidies--- when I say transit operators, I am talking about short routes now --- per passenger. Longer haul routes where you don't carry as many people, but you put miles on the buses, would receive subsidies per mile.

We proposed at that time practically nothing different than what has happened since the Simpson and Curtin report - a two-cent dedicated allocation of gasoline sales tax. Very truthfully, sir, when we proposed the two cents, we were hopeful we would get one cent. We felt that would fund it. For some reason or other, whether it was the fact that it was predicated upon the New York plan and that waves a red flag in somebody's face, because it wasn't originated in the State of New Jersey, nothing was ever done about it. Simpson and Curtin talked to me and I told them that they had the whole palm down at the Department of Transportation. It took them about two weeks before they found it, and my last information is, and I hope I am correct, that they finally were able to get all of our illustrations, charts, written copies, et cetera, from the Department of Transportation.

ASSEMBLYMAN ESPOSITO: Will you make those lists available to the Commission?

MR. WASSERBURGER: Yes, sir. Mr. Gilhooley could help in that. I think there are some copies in his office. I know the Department of Transportation can help us with that; they should still have that.

ASSEMBLYMAN ESPOSITO: Mr. Stangl.

MR. STANGL: Thank you, Mr. Chairman. I appreciate your tolerance.

ASSEMBLYMAN ESPOSITO: For the sake of the record, Mr. Stangl, at the present time is representing Commissioner Sagner as his designee.

MR. STANGL: Thank you, Mr. Chairman. Mr. Anderson is needed back at the office because of some problems we have. I am a little puzzled about a couple of things, one of which is the purpose of the hearing. I have heard a lot of statements this morning that go to the proposals of various consultants that the Department has on what we ought to do about organizing and financing public transportation in this State. And there have also been some comments about the formula program that we are developing with the assistance of a consultant and an advisory group made up of bus operators and other people who have some expertise in the State.

My own concern is that we are getting away from the purpose of the hearing - of the mandate of the Committee. I have heard very few comments about abuses or particular solutions to alleged abuses or validated abuses of the subsidy program itself, and I would hope that we could get back to that. I think that is critical, and I think that is what you are interested in and what the Committee was established for.

I do want to correct a few things that have been said. Maybe they have been said because of misunderstanding and maybe because we have not been able to get our message across as clearly as it should be. The situation regarding UMTA funding is something we ought to clarify right now. The facts are as follows: UMTA has made a commitment in principal to the State of New Jersey for \$400 million to be used for three projects - one in the Plainfield-Newark corridor and our intention is to move ahead with the PATH project in that corridor; the other is to complete the electrification of the Erie-Lackawanna; and the other is to electrify the New York and Long Branch line to Red Bank with an interim service at Matawan - to get it into use as fast as possible.

That \$400 million is out of existing authorizations which run through 1980, which UMTA has. Now, it is the intention of some critical people in the Congress, including Senator Williams, to move ahead with increased funding for UMTA. There is

great pressure, not only from the State of New Jersey, but from other states around the country in other metropolitan areas, to get some additional funding. If the Congress sees fit to provide additional funds for UMTA - and I think they will - then New Jersey can go right back in next year, and the year after, and the year after that and get more money. So we shouldn't be so defeatist about what is available for the State of New Jersey in terms of UMTA funds. What we ought to be doing is working hard to make sure that we do get additional funds, because I think they are going to be there. We ought to start getting our fair share. This state has gotten very little in UMTA funds until the last three or four years, unfortunately for reasons that are not clear to me. So that is just to clear up the UMTA situation so that we don't leave here with bad information.

The other point is--- I am happy to hear all these comments about the reports, but I am a little concerned, Mr. Chairman, that we are getting away from the purpose of the hearing.

I would add one thing, if I might. Mr. Wasserburger is absolutely correct. I sat in at that meeting when he and Mr. Gilhooley and other members of the bus industry came down and presented a proposal to us in, I guess it was August of '74. I don't know exactly when it was. That proposal did relate to paying operators on the basis of passengers carried and mileage. It also had a price tag at that time, as I recall, which exceeded substantially the amount of funds we were putting in the bus program at that time. The figure of \$45 million sticks in my head. I may be wrong and I am sure that that can be corrected by my going back to my office or by Mr. Gilhooley or Mr. Wasserburger recollecting what it was. We all can look it up and make sure we have the right figure before we say anything else.

MR. WASSERBURGER: If I may ---

ASSEMBLYMAN ESPOSITO: Excuse me. Please ask permission, first.

MR. WASSERBURGER: Mr. Chairman, I just wanted to refresh Mr. Stangl's recollection. He is quite correct. The figure was somewhere in the neighborhood of \$37 to \$45 million dollars. We did realize that there would be some bus companies that would fall by the wayside. I think in reviewing that plan with you - and I think the Commission should know this - one of the most important things I neglected to tell you - and Mr. Stangl's statement brought it back to me - was that it was an incentive plan. I think that was the most important part of the whole thing. We talked about an operating ratio of 95 percent. That would be the maximum that any operator in this plan would be allowed to receive. In other words, no matter what happened, if the incentive plan went through, the most he could ever get as a return on his investment would be five cents on a dollar. If it came out to 97 percent operating ratio, he would have to live with that. If it went to \$1.02 or 102 percent, then the State would owe him 2 cents on the dollar. However, there was a cut-off point in that and we knew that there were going to be some bus companies, getting back to what Mr. Di Domenico said, who because of the duplication of services, would be just wiped off the face of the earth. We knew that and explained that to the Department.

ASSEMBLYMAN ESPOSITO: Mr. Wasserburger, I would like to ask you a few questions. I am in agreement with Peter Stangl, who represents the Department of Transportation, that the intent of the legislation was to investigate the reported abuses and the inadequacies of the bus subsidy program. Do you feel there were abuses and inadequacies?

MR. WASSERBURGER: I would like to answer that one at a time because I need an explanation of what you mean by "inadequacy"?

ASSEMBLYMAN ESPOSITO: Wasteful duplication of service, for example. One of

the newspaper reporters of the State had a three-page series bringing out the reported abuses and everything else.

MR. WASSERBURGER: I think this Commission probably evolved because of yellow journalism.

ASSEMBLYMAN ESPOSITO: Why do you say it is yellow journalism?

MR. WASSERBURGER: Because I don't know of anyone who checked on the authenticity of the figures that were used by Mr. Young in his articles. Many meetings were held about whether answers should be given to these articles. I compared it to going into a nightclub and trying to compete with a comedian. A comedian has the mike. He has got the last word. This is what goes on with newspapers. I did not see any figures whatsoever that authenticated any figures Mr. Young used in his articles at any time. And I don't know whether the Committee took the time and trouble to do that or whether they went to the Department and tried to prove or disprove these figures of salaries, of insurance policies, etc., etc., etc. I know of none.

ASSEMBLYMAN ESPOSITO: Mr. Wasserburger, for your information, we have enlisted the assistance of the Office of Fiscal Affairs to help us in the conduct of this investigation. And I think some of these facts brought out by Randy Young have been substantiated.

MR. WASSERBURGER: You used the word "some."

ASSEMBLYMAN ESPOSITO: That's right. There have been abuses in the program. We know that.

MR. WASSERBURGER: I don't think we live in utopia today. I think there are probably some errors made and some not made. I said in my statement that guidelines were missing from the subsidy program as to what goes on, how it should go on, what you can do, what you can't do, etc. I think I pointedly remarked upon that in my statement, Mr. Chairman.

ASSEMBLYMAN ESPOSITO: I feel there are more than some. I say there are quite a few.

MR. WASSERBURGER: I don't have the information that possibly you have.

ASSEMBLYMAN ESPOSITO: Well, I have the information.

MR. WASSERBURGER: Therefore, I couldn't get into a dialogue with you on that because I don't have the information.

ASSEMBLYMAN ESPOSITO: I want a candid answer from you. Do you feel that there have been abuses?

MR. WASSERBURGER: I think there have been errors.

ASSEMBLYMAN ESPOSITO: Errors, but no abuses?

MR. WASSERBURGER: The word "abuses" seems to me to give a connotation of an intentional disreputable act. I don't think that occurred, sir. I think people did what they had been doing for years and years and years in running their businesses, and did not change their ways. That to me is certainly not a connotation of a criminal intent.

ASSEMBLYMAN ESPOSITO: The only thing I know is that our bus subsidy program has gone from 1969 at \$530 thousand to \$45 million. And that is taxpayers' money.

MR. WASSERBURGER: Wouldn't you say the same thing happened, Mr. Chairman, in the railroads? I remember when the railroads got \$200 thousand subsidy and then it went up to \$40 million.

ASSEMBLYMAN ESPOSITO: At the present time, we are investigating the bus subsidy program in the State of New Jersey, not the railroad program.

MR. WASSERBURGER: Yes.

ASSEMBLYMAN ESPOSITO: Let's stick to the legislation.

Does anyone have any further questions? Mr. Chinnici.

ASSEMBLYMAN CHINNICI: I have been sitting here over an hour and I agree with Mr. Stangl and with you. I can't see how the witnesses here today are giving us any information as to where the abuses are, where we can locate them and find them, other than if OFA really digs into this and commences to sift out and analyze where they feel abuses are. But so far today, I agree with Mr. Stangl that we have heard nothing but "we'd like to see the takeover of transportation," which could or could not be the answer, and "we'd like to see subsidies provided to most bus companies," so they can compete with one another. I would like to hear some facts and I would like to see some reports as to where the abuses are. That was the purpose of our Commission.

ASSEMBLYMAN ESPOSITO: That's right.

I might say that we intend to hold a second public hearing within two weeks and we have invited some of the bus companies that we feel have abused the bus subsidy program. They will be down here to testify.

Mr. Flateman.

MR. FLATEMAN: First of all, I am the President of a company that is not subsidized by the State of New Jersey. The problem of abuses in the entire subsidy program disturbs me very much. I think we have to look at the program, itself. It bothers me to hear us talk about the UMTA running out of funds in 1981, and then being concerned about what funds we can get in 1981, when up to this point I have not anywhere seen a comprehensive plan for what transportation should be like; and the best way to have a comprehensive plan in the State of New Jersey is to have it under one authority, not under numerous authorities. So the concept of going to Washington to get whatever we can get is really the first abuse. The first thing that we have to do - and I hope somewhere along the line this will come out - is to have New Jersey establish a comprehensive plan for the solving of our transportation problems under one authority. Maybe when we do that, we can go to UMTA and request funds which will be used in the maximum way to help every single passenger who rides a train or a bus - and, in fact, help the people who are citizens of the State of New Jersey. That is one of the things that we are lacking here and I haven't seen any program come forth which would accomplish this.

ASSEMBLYMAN ESPOSITO: Assemblyman Chinnici.

ASSEMBLYMAN CHINNICI: I was appointed to this Commission because of my membership on the Appropriations Committee and I am really a novice in transportation, especially in North Jersey, coming from the deep south where we have no trains and we have very few buses, and the service is lousy. But I hope that before our public hearings are over, I am going to be in a position, come next Appropriations Committee time, to either favor or disfavor future subsidies for buses and transportation generally. I am hoping to get enough information to be able to talk intelligently to the Committee.

ASSEMBLYMAN ESPOSITO: Any other questions from members of the Commission?

(No response.) Thank you, Mr. Wasserburger.

Mr. John O. Salvesen, Director of the Cape May County Board of Transportation.

J O H N O. S A L V E S E N: Thank you, Mr. Chairman.

Good morning. My name is Jack Salvesen. I am Director of the Cape May County Transportation Department. Cape May County was the first county in the nation to create and operate a transportation system to solve our most critical transportation problems on a county-wide basis. The system is successful in providing the most critical transportation service - and in a cost-effective way. It is so successful that I was honored to be elected Executive Director of the National Council for the Transportation Disadvantaged, an organization composed of members representing small and large transportation systems, academia, consultants, manufacturers, legislators and other elected officials and regulators at every level of government, and the users themselves. The users include those without adequate public transportation, such as those in rural areas, the elderly, the handicapped and many others who are "transportation disadvantaged."

Public transportation in New Jersey is in a mess! The bus subsidy program is only one example of the state of things. Who is to blame? Who is at fault? The answer is easy to state, but it is very hard to explain. The answer is: we all are.

I will explain this generalization in a moment, but first let me digress by telling you why I feel qualified to comment. I'm from Cape May County. I'm sure most of you have heard of Cape May County; some of you may even know where it is, geographically. It is, however, never seriously considered when programs are legislated or carried out. When a new program is developed, we in Cape May County stand on the sidelines with our hands in our pockets watching the big fellows from up north slug it out. We are interested because we know that we're going to have to help pay for it - whatever it is.

The bus subsidy program is a case in point. Trumpeted far and wide as the largest single order of buses in the history of the world, we knew, standing way down there in Cape May County, that we wouldn't get even one of them, not one. We also knew that UMTA was about to insist on a 24" floor height on all new buses instead of the old 34". This is for our senior citizens who are not as acrobatic as they once were and who represent a significant number of riders for these new buses. Like the plot in a Laurel and Hardy movie, our buses came in at the old floor height - millions of dollars worth of obsolete buses. Add to that the distribution inequities that you, as a Commission, will hear plenty about, and you may have what could be called a fiasco.

Is this kind of mistake unusual? The answer is, no. Unfortunately, it has become almost standard. Take, for instance, the insistence of the New Jersey DOT to use our federal funds for the PATH extension. This argument seems to pit the whole State of New Jersey against the Department of Transportation.

One may speculate about why we make so many gross mistakes in public transportation. The answer may be that there are few experts who really understand public transportation. When the New Jersey Department of Highways was changed to the New Jersey Department of Transportation, the biggest change was on the stationery. A few token people were brought aboard, but the Department remained overwhelmingly asphalt-oriented. This attitude has continued and policies and methods affecting millions of citizens are being created and ram-rodged by inadequate leadership and technical expertise.

But DOT is by no means the only villain in this soap opera. What about the legislators who run year after year on rhetoric about public transportation, but who

rarely offer any kind of leadership? Where is the legislator who can speak with authority on public transportation? Where is the legislator with hard, well-thought-out recommendations and a broad plan to make what we have go further, giving our taxpayers a better run for their dollar, regardless of whether that dollar comes from federal, state or local sources?

And what about the legislator who, when faced with hard decisions, runs away from the problem by creating something that someday may be found to be unconstitutional - the authorities or boards or commission - those bodies of power over which the voter has no direct control? And this, in turn, breeds a special kind of power broker, the planner.

We now spend unbelievable amounts of money on some mysterious ritual we have come to call "planning." We have vested in planners the power to veto, create, alter, spend and do all the things the taxpayer thinks he elected his representative to do. The planners, quite naturally, have used this awesome power to further fortify and perpetuate their position.

And what, we ask, is the PUC doing in the middle of this mess? Even they wonder why they are there. There is really no logical reason for them to be in this. Whatever regulation is needed should be handled by the agency in a position to have the most information, the Department of Transportation, not the non-transportation oriented PUC.

And what about the operator who has maneuvered the books in such a way to qualify for the maximum subsidy in moves which soundly defeat economy and cost-effectiveness?

But let's not forget John Q. Public, in the form of small but very vocal special interest groups who bring unbelievable pressure, way out of proportion to the real need and the ability to meet that need. The pressure is created and sustained by another guilty party, the media. Always on the lookout for a controversy, they can make a very low priority transportation desire into the most critically important event of the day.

The guilt for this mess must also be shared by organizations like my own, the NCTD, and people like myself because we have remained silent even though we know better, because we've been witness to solutions in other areas in our country and yet we find it bothersome to jump into the controversy, especially since pointing out the trouble spots means pointing out individuals who are not performing. This, many times, means powerful individuals who have the means for retribution.

So - we all stand indicted in varying degrees.

It is one thing to criticize and another to offer solutions. The problems are complex. Maybe we should look at this in the manner of the coach of a football team who decides, when losing, not to work harder on involved, contrived and very complex plays, but to go back to basics.

How would we go back to basics in transportation?

We must take a fresh look at the original problem and then re-establish our priorities. To do this, we must look objectively at what we need in public transportation and then establish clearly the priorities of need.

Life-sustaining transportation clearly should have the absolute highest priority. After that, we can establish priorities for "desired" transportation.

We must recognize that certain operators are better than other operators. Generally, this would be the fellow who operates with the least amount of help, or

with none. We should make the State employees answer to and support these successful operators with the Legislature in charge of "how much and to whom?"

In this context we should do something dramatic in the case of Transport of New Jersey. To reward a proven loser with the salary, benefits, and other emoluments is like going about a mile out of one's way to get punched in the mouth. Aside from that, however, the situation is awful and either the State should foreclose immediately and take over TNJ, or cut it in biddable parcels and let the successful operators run the routes.

The unions should be faced up to as well. Their growing strength and the amount of pressure they are able to exert has perpetuated the archaic and wasteful featherbedding that has existed and grown since railroading in the 1880's. To the elected official who has traditionally knuckled under to these unreasonable demands finally comes the choice of catering to the voting bloc of the unions in opposition to the needs, and votes, of the individuals with a potentially much more powerful voting bloc - our senior citizens. Making this kind of choice could be courting political suicide.

So here we stand, obviously concerned enough to be here, ready to try for solutions. The problem is so big, so seemingly permanent, that we must be bigger than we have been. We must reach way over our heads and act at a higher level than ever before. Some of us are ready to try. I wonder who will join us?

I close with the suggestion that everyone here join together on November 8th and 9th in Mount Laurel, New Jersey, when we will participate in the very first state-wide New Jersey Transportation Conference. There we can study the problems we face, make appropriate recommendations, and be ready to go to work.

Thank you.

ASSEMBLYMAN ESPOSITO: I think you have cited all the problems with the bus subsidy program. Do you have any suggestions to make to this group how to improve it?

MR. SALVESEN: I don't think that you can just hip-shot an answer to that question, sir.

ASSEMBLYMAN ESPOSITO: I think you are conducting a Transportation Seminar, aren't you, in Cape May somewhere with the Department of Transportation?

MR. SALVESEN: Mount Laurel. I am participating in it, but I don't claim to have all the answers.

ASSEMBLYMAN ESPOSITO: Is it the intent of that seminar to look into this?

MR. SALVESEN: I believe that this will probably come up. I personally am not going to bring it up because I have other concerns at that seminar. My particular interest at that seminar will be the transportation disadvantaged, those without adequate public transportation, not the ongoing programs. But I understand that DOT will be addressing that and other things.

ASSEMBLYMAN ESPOSITO: Do you feel or do you want to make a statement that there are abuses in the present program?

MR. SALVESEN: I believe there are, yes.

ASSEMBLYMAN ESPOSITO: Thank you.

Are there any other questions?

MR. STANGL: Maybe I am the only one who thinks this way. But with all due deference to Jack — and Jack and the people in my Department and others are working to try and have a conference November 8th and 9th. I think it is going to be a good one. We have had some struggles, but a lot of people have been working hard on it.

I recommend you go to it. But I must say in all due deference, that was a long introduction to something that never came, which was the purpose of this Commission again - and I hate to keep saying that. I agree with part of what Jack has said and I think it is a fairly eloquent statement on how we ought to be thinking on things and what some of the problems are. But I am concerned that we are not getting to the point of what the hearing is on. I am anxious to hear about it. We went through the series of articles. I think there were some errors in the articles. I think they were useful. And this Commission was set up to find out what the abuses and the inadequacies are. I still have yet to hear anything. I would like to hear it. I am spending my time and you are spending your time down here waiting to hear about it and we are not hearing it. And I am anxious to hear it.

ASSEMBLYMAN ESPOSITO: Mr. Stangl, I think you should quit defending the Department of Transportation and quit defending the subsidy program. Start asking questions - that's all.

MR. STANGL: Mr. Chairman, I am not here to defend the Department of Transportation. Let me make something clear if I may. I would be the first one to agree that the present subsidy program is inadequate. It has a lot of problems. Nobody likes it. The operators don't like it. We don't like it. The taxpayers don't like it. The riding public, if they understand it, doesn't like it. I am not here to defend the Department. I am here to listen. I am here to get some comments on what some of those abuses are, and I haven't heard any yet. If there are particular instances - let me ask Mr. Salvesen if there are - I haven't heard any.

ASSEMBLYMAN ESPOSITO: Mr. Stangl, why don't you start asking questions; maybe you could get answers.

MR. STANGL: I have been listening to people on the Commission asking questions. You, yourself, Mr. Chairman, have asked and we have gotten nothing specific pointed out to us.

ASSEMBLYMAN ESPOSITO: That's right.

MR. STANGL: Well, the question has been asked. There is no sense in my repeating it. I am just getting concerned that we are hearing a lot of statements about things that are irrelevant to what the purpose of the Commission is.

MR. GILHOOLEY: I absolutely and totally agree with your position and the position of the Assistant Commissioner with respect to the limitations of this hearing to the abuses or possible abuses in the program. Nevertheless, when responsible witnesses come before this Commission and make statements before the Commission that in my judgment are responsible, I think I have the obligation to point them out.

Let me try and do that by a series of questions.

You suggested, sir, that Transport of New Jersey should be broken up and given away to other companies. Let me ask you: Do you have any idea how much that would cost the State of New Jersey (a) in taking Transport's property without due process and (b) in 13C claims of the union members who would lose their jobs? Could you give me a ball-park figure on that as an expert in the field.

MR. SALVESEN: I happen to know quite a bit about 13C and I also know that you pay your drivers \$18,000 a year and I pay mine \$7400 a year. Somehow, your union problems are a lot worse than mine. And, sir, I don't say, "take it over." You can have TNJ - keep TNJ. All I am suggesting is not to give you all that money anymore. What is TNJ? It is a bunch of buses that you are getting from the State. It is a bunch of routes that are on public highways, owned by the public. So what is TNJ? What is so valuable about TNJ?

MR. GILHOOLEY: Just a moment. You made another misstatement when you said a bunch of buses that we are getting from the State. We paid for those buses. Didn't you know that? I would like an answer to my question. My question is: Have you any idea what it would cost in the two areas I mentioned to do what you said in that testimony, which is to break up TNJ? Do you have an answer?

MR. SALVESEN: No, I have no answer.

MR. GILHOOLEY: I will give you an answer - about \$200 million is what it would cost the State.

MR. SALVESEN: There was another suggestion in there with regard to bidding it out - bidding out the other portions that these operators would like to run.

MR. GILHOOLEY: That again would cost about \$100 million worth of 13C claims.

ASSEMBLYMAN ESPOSITO: Mr. Gilhooley, I think you got your point across. I think you should desist from this dialogue.

MR. GILHOOLEY: I agree, Mr. Chairman. I shall.

MR. GATEA: It appears that the consensus is that there are many comments being made, but no specific answers to the problems for which this public hearing today is being held. Therefore, if this be the case, perhaps the witnesses should make their statements for the record, the Commission should study these statements and, if necessary, call the witnesses back for more specific answers at a later date.

MR. SALVESEN: I did point out something in this; and, that was, I am not responding to a newspaper article that I didn't read. I am talking about the bus subsidy program. We got all these buses. They were at the floor height which is not now officially okayed by UPTA. As of April 30, 1976, UMTA came out with new regulations, insisting now that all new vehicles have this lower floor height. So this may not be what you term an abuse. I would not call it an abuse. But it is something that I think is a mistake. I don't know why the buses came in with the higher floor height because the technology was available and the vehicle RTS-2 is now available, I believe. That is the one with the new low floor height.

ASSEMBLYMAN ESPOSITO: Mr. Weiss.

MR. WEISS: Mr. Salvesen, you made a statement about companies fixing their books or changing their books to reflect certain things which would enable them to go on subsidy. Do you have knowledge in your own experience that this has happened in any particular companies or there are particular companies that you know of?

MR. SALVESEN: None other than what I have read in the paper. Maybe it was yellow journalism - I don't know. But I do know this: there are all kinds of ways to bookkeep.

MR. WEISS: Excuse me. I am asking you: Do you know of instances where this has happened in your own experience or is that just a general statement ---

MR. SALVESEN: It is just a general statement.

MR. WEISS: (Continuing) --- without any basis of fact?

MR. SALVESEN: No, I wouldn't say that. It was in the newspapers. It was reported in the newspapers several times. Things were put in: that life insurance thing for someone's family, etc.

MR. WEISS: Do you know as a fact that that is so?

MR. SALVESEN: No. I just said that I read that in the newspaper.

MR. WEISS: Yes, but you are making some pretty broad and damaging statements without any backup information whatsoever. Do you know that the State Department of Transportation has an auditing procedure for all these companies, which is quite

extensive?

ASSEMBLYMAN ESPOSITO: I don't think he has made any damaging statements, Mr. Weiss. He hasn't mentioned names. The only name he mentioned was TNJ, period.

MR. WEISS: I think he has made a statement without having any factual backing for it. I think that is the type of thing that is not going to accomplish anything.

ASSEMBLYMAN ESPOSITO: He has made a statement based on what he read in the newspapers. We asked for this investigation based on what we read in the newspapers. It is the intent of this Commission to find out if there are abuses in the bus subsidy program. I think it is unfair to the witness ---

MR. SALVESEN: It is only one sentence, Mr. Chairman: "And what about the operator who has maneuvered the books in such a way to qualify for the maximum subsidy in moves which soundly defeat economy and cost effectiveness?" It is just a way of doing business, I suppose, to get the most subsidy. But I am not pointing out any one individual operator.

ASSEMBLYMAN ESPOSITO: Thank you, Mr. Salvesen.

MR. SALVESEN: Before I leave, I would just like to say I made a lot of points here, so I have been told, and I obviously have made absolutely no friends. I am quite serious about the problems and I would like to work on trying to do something. I don't mean to be personal or offensive to any one individual in the Transport of New Jersey. But I am ready, willing and able to work any way that I possibly can for anybody that needs the help. Thank you very much, Mr. Chairman.

ASSEMBLYMAN ESPOSITO: Thank you, Mr. Salvesen.

We are going to take one more witness before we recess for lunch. Father Fischer has a commitment and has to get back to Jersey City.

RE V. J A M E S F I S C H E R: Thank you, Mr. Chairman, for that clerical privilege. I assure you I will be brief.

My point is not exactly on the question of abuse in subsidies. It is not my area. It concerns more the question of the due process undergone before a discontinuation or a curtailment of services are allowed. As you know, this was a major problem during the past year. I speak in my capacity as Director of St. Peter's Preparatory School. Therefore, my interest is educational. I also represent the Priest Senate of the Archdiocese of Newark, which went on record with a resolution in which it expressed its concern about the method used in bringing about the changes that were initiated this year.

As you know, services were drastically cut back and it has affected education in the State, and I can speak primarily of the Jersey City area where I am located. We are, as you know, listed as the 65th worst area in the country for educational opportunities. The option for better education is found in those schools that do depend heavily upon bus services. In the hearings that were held, we voiced this very strongly when we appeared at those hearings. But my concern and my recommendation to this group and to the companies subsidized is that the hearings be formalized so that they do allow confrontation and cross examination of evidence, which was not allowed in the instances last year, and allow for representation of the public interest by a Public Advocate or someone in that capacity.

So I am concerned about such changes as dropping the buses, which has hurt us seriously, and also the elimination of the student reduced fare. This is a direct blow to any type of school such as ours which depends upon students coming any good distance. We had a drop of over a hundred students just this fall. I know

certain parents said, "It is cheaper for me to send my son into New York City for his education than to come down by two or three buses into Jersey." This is going to continue to hurt. I am just anticipating and hoping that in these recommendations you make there will be an allowance for a closer examination of the effects of this type of cutback which has hurt us seriously. Thank you very much.

ASSEMBLYMAN ESPOSITO: Thank you, Father Fischer. I think this is a matter for the Legislature. I know the discontinuance of services hurt St. Peters tremendously. I think I spoke to you on the phone one time.

REV. FISCHER: Correct.

ASSEMBLYMAN ESPOSITO: We managed to get some service back for you. Did they take it away completely from you again?

REV. FISCHER: No. We did manage through your efforts to save some of the lines which they had planned to eliminate completely. But it has reduced services and the boys are finding greater difficulty in getting into the school, as well as the personnel. I face a secretary who comes in beating her gums every morning over the elimination of the routes which she had originally taken. It has hurt us.

ASSEMBLYMAN ESPOSITO: You have a promise from the Legislature - we'll take care of your problem, right?

REV. FISCHER: Thank you very much.

ASSEMBLYMAN ESPOSITO: Thank you, Father.

We will recess until 1:30 for lunch.

(Recess for Lunch)

AFTERNOON SESSION

ASSEMBLYMAN ESPOSITO: The public hearing of the Bus Subsidy Program Study Commission will now come to order.

Before I call the first witness, I would like to caution the witnesses that they must stick to the mandate of the legislation. If you have any information as to reported abuses in the bus subsidy program, stick to that and nothing else. Any witness that wanders from the mandate of the legislation, I will call out of order.

Mr. LeFante.

J A M E S L e F A N T E: My name is James LeFante, President of the Hudson County Independent Bus Owners Association. You will have to say I am out of order, Mike, because "Mom and Pop" outfits consist of over 200 buses and they are the prime source of transportation in Hudson County. We are against State take-over of buses.

ASSEMBLYMAN ESPOSITO: You are out of order.

MR. LE FANTE: I know I am, Mike. But I will get on it, if you will allow me to speak a few minutes. We don't want any political dynasty in a socialistic system. The fat cats will be the two czars, one of Transportation and one of Labor. With our present system today, we have transportation in Hudson County. One line went on strike recently - you are aware of it -- North Boulevard, TNJ went on strike. We had service in Hudson County. But you won't get this service with a take-over of buses.

Aside from that, I think the DOT should be investigated, not the people being subsidized, as to why they allocate the money the way they do. They should be investigated. We know there is some favoritism here and we don't like it. Check the salaries of men receiving subsidies prior to their subsidies. Check their salaries and compare them with the salaries of non-subsidized carriers. Check the number of employees on the payroll prior to the subsidy plan, say, three years before the carrier received subsidy. Check along those lines.

In the matter of carriers, affiliated companies holding operator's authority from the ICC - affiliated companies listed with the State of New Jersey - should be checked against a list of annual reports the carriers file with the ICC. Expenditures of affiliated carriers should be checked, number one, to determine if they are in proportion to the expenses of the subsidized carrier or if all or what part is shifted to a subsidized carrier. The expenses to be checked should include the officers' salaries, insurance premiums, maintenance costs and equipment. You have to go down the line and check those things before they went on subsidy. Check their costs and see what it works out to. Check the driving hours of the drivers and their payrolls. See if there is over-purchase of parts. What I mean by this is: I can overhaul a motor for \$1800. I don't know what it costs - I don't want to use anybody as a target - other lines to overhaul an engine. But the money is being depleted someway and it should be checked. The money spent for batteries and tires should be checked. All subsidized carriers that claim losses should have registered devices on the box. What I mean by this is a counter of some kind - money going in the box and a register of the passengers going in, like the old trolley cars, a ding-dong or something, combined with the fare box, so you have an exact count of what goes in the box and a register of passengers. There should be something like that on your fare boxes.

There are many ways we could show there is a lot of waste in subsidy. We make a comparison. Not to use one line as a target, but there is one line where five buses are not receiving any subsidy while in the same line there are 18 buses receiving subsidy. I am not going to mention any names. These five buses are doing well without receiving a

subsidy - the same run, with two fare structures, one 35 cents, one 40 cents. One comes under PUC and one comes under DOT. How can one individual run 5 buses and a man with 22 buses receive a subsidy like \$800,000 a year on the same run? The same applies to the other end of the city, the north end of the Boulevard. They have independents. They are not receiving any subsidy. Yet the bulk of the North Boulevard is receiving a subsidy. When these men can do without a subsidy and survive in transportation, it doesn't make sense to give it.

This is the job of the Committee to see the way the money is being allocated. That should be checked into.

As far as Hudson County and Jersey City are concerned, leave Hudson County to us. We want no part of the DOT in there. We got partial subsidy for new buses. We didn't want it. You forced it upon us. We couldn't receive a fare increase from the PUC. Mr. Gaeta is here right now. I would like to ask him why we can't receive a fare increase. We show a small profit. Aren't we entitled to a small profit, a fair return for our money? All we want is a fare increase. Leave us alone in Hudson County.

ASSEMBLYMAN ESPOSITO: Will you please stay within what is mandated by the legislation, ACR 172. If you have any problems with the PUC, you should take them up with the PUC.

MR. LE FANTE: Well, Assemblyman, we have gone to the PUC many times. It is a legal hassle and means more expenditures. We can't afford it right now. We just can't afford it. We can't afford to hire a lawyer. I know other companies have gotten emergency fare increases when they had a labor problem. We feel we should get an emergency fare increase. We don't need this anymore. We have gone through this for years. We know the transportation business. It would take nine months to a year. By that time, we will be in hock again and need another fare increase. There should be other provisions made for us. Right now, we are taking action with regard to children riding the buses. Parents get on with eight kids. We go to urban areas. They talk about urban transportation, but we are not getting the money. We go to the war zone, D and Z. People get murdered, get cut up and fare boxes are robbed. We don't get compensated for this.

Recently on a Saturday night, a young couple got cut up on the bus. TNJ got held up the other night. We go through war zones. The money is for urban mass transportation, but our money is going down south in the rural districts and the high-class neighborhoods. It is not going to Hudson County where it belongs and Newark where the money rightfully belongs. We need help in that direction. And we just can't wait much longer. With the cost of insurance, etc., I don't know whether we will make it this year.

If you want a plan, we will give you a plan how to take over the buses. Give us a fair return for our dollar. You can take over the independents with a tax-free bond; we're ready. Give us a fair price. If you are going to have a State take-over of buses, take one line as a pilot line.

ASSEMBLYMAN ESPOSITO: You are going into the State take-over of buses. Please, stay off that subject.

MR. LE FANTE: Mike, this is part of the investigation. If you are going to do anything, take one line and use it as a pilot line. If you can run one line, you can run many lines. You limit my feeling against everything in the State when you say investigation. You can go investigate and it is your department to investigate.

ASSEMBLYMAN ESPOSITO: We are not investigating the DOT or the State of New Jersey.

MR. LE FANTE: I think if anybody needs an investigation, it is the DOT. Why do they disperse the money the way they do? It starts right from there. It is favoritism and politics. That's all it is.

ASSEMBLYMAN ESPOSITO: But you can't document that, can you?

MR. LE FANTE: No, Mike, I can't document anything. We know the way it works in the

State of New Jersey and Hudson County. It's all politics. It is all favoritism. That's all it is. How can I document a thing? I am not an investigator. I haven't got the time to go to each bus line and each politician and see what he got out of it or whether he got something out of it. There are many ways of getting something out of something. You know, election time comes up - it's gratuities - it goes around the back door. Who is kidding who, Mike? I keep calling you Mike because I know you well. Let's not kid one another. The whole concept of subsidies stinks. We are not getting it. Your local newspapers come out - who has more clout in Trenton gets more money. We haven't got the clout. We haven't got the political clout at Trenton. We probably could be getting it ourselves.

I like the idea of double books. Check some of the revenue. Check some of the books and see how they disperse their money. This is a bid operation. This is nothing small. You have to go digging. I haven't got the time. You want something. Who am I going to crucify - a brother bus owner - and use him as a target? I could use many lines as a target, but I am not here to crucify anybody. High salaries exist - \$80,000 a year - \$20,000 in expenditures. Many of these bus men are getting it. But all we have to do is do our own work, do our own paint jobs and do our own paint jobs. That's the reason we are surviving. But this is your job, and I would start with the DOT. I would start with Mr. Sagner's office and find out why they are getting the money. Certain guys say, "Hey, listen, go down there and you can get all you want." We can't get it. It seems like all the subsidized carriers have high-salaried drivers. We are only paying \$5 an hour. But the drivers for the subsidized lines are getting \$7 plus fringe benefits and it comes to \$11 an hour. That ought to signify something. Somebody has clout down there. Maybe it is the unions - I don't know. It is up to you guys on the investigating committee to check. I can't do it for you. It is very obvious that anytime there is a strike in the City of Jersey City of labor, it is settled right away with an increase in subsidy money. When we have a labor problem, we just have to cut our expenditures. We have to cut other ways to make up for our increase in salaries. We don't go crying down here and say we need more money. It starts right in the DOT and that's where you should investigate - then your lines.

Assemblyman Esposito, that's all I have to say.

ASSEMBLYMAN ESPOSITO: Any questions by members of the panel? Mr. Stangl.

MR. STANGL: I have come in contact with Mr. LeFante and heard him in public meetings a number of times in the last month and a half or so, up in Newark and here today. You said a number of things, Jimmy, that I think require a little bit more explanation and maybe some answers. You said, "Look at double books," for example.

MR. LE FANTE: I never said "double books."

MR. STANGL: Well, you did. You did say that. What I want to say is that where there are instances that you know of or think of, then I think it is your obligation to give those to the Committee now so that they can be investigated. I, for one, have a responsibility for that program. We do audit. We check revenues. We do thorough audits. We have taken money back from some carriers. We have given additional funds to certain carriers where it was needed. I think that where there are specific instances that you can point out, you ought to give them to us because we will be looking at them.

MR. LE FANTE: Well, I am basing it on lines that are running on a 35-cent fare and lines that are getting subsidies. There has got to be something wrong there. If I am running 18 buses at 35 cent and he is running at 40 cents and getting a subsidy --- Mr. Wasserburger said that they had a cut in subsidy. I know cases where they got an increase in subsidy and still had a 40-cent fare. I am only judging -- there are 22 buses on the Greenville line. You have 22 buses of a subsidized carrier. I know recently a subsidized carrier acquired another bus line. He acquired another bus line.

He just took over another bus line. He bought it; there must have been an exchange of money. If you want subsidy, how can you buy another bus line? It doesn't make sense to me.

MR. STANGL: But do you have specific instances that you know of ---

MR. LE FANTE: Yes.

MR. STANGLE: Let me finish my question. (Continuing) --- that we ought to be investigating where you feel or know that carriers are keeping double books and giving a certain set of numbers to one organization and giving a different set to another so they can get a subsidy? I would like to hear it.

MR. LE FANTE: When I said double books, I am only basing it on the fact if I am running a business and I want a subsidy and if I had control of the whole line - that is, if it was a one-owner operation - I could juggle the business into a position where I could require subsidy. I can't do this; we have multiple owners. But I am quite sure I could manipulate this into a subsidy by having the double books. But I am not a one-owner operation. We have ten owners.

MR. STANGL: That would be illegal. What I am asking is: Where there are cases, you ought to point them out to this Commission right now.

MR. LE FANTE: Well, I have no specific evidence of double books, but I imagine that is how it is done. I should have put it that way. If I can survive with 22 buses at a 35-cent fare, they can just as well survive in the same city. The revenue is the same. I have a list of all the revenues of all the lines. They compare with our revenues - \$50,000 or \$100,000 difference. We are paying \$5 -- well, say \$2 less in wages than they are. It doesn't amount to \$800,000 or \$300,000 they are getting in subsidy. There is no comparison. I have a list of every bus line in the City of Jersey City and Hudson County of how much revenue they gross, and they are pretty much the same. I have TNJ's revenue, how many buses they are running. I have the North Boulevard and South Boulevard - all the lines on subsidy and not on subsidy - and I am basing it on this.

MR. STANGL: Mr. Chairman, if I might, I think that there are a lot of speculative things Mr. LeFante has said. I think if there are specific instances that he knows of, that he ought to be directed to submit them to this Commission. And, if there aren't specific instances and we are just dealing with speculation, then let's say it.

MR. LE FANTE: I will furnish you with revenues I get. How I acquire them will be my concern. But I will give you the revenue of our line on a 35-cent fare and I will give you the revenue of a subsidized carrier. And you judge for yourself whether there is something wrong here. I will give you their wage scale, our insurance, our expenditures, and you judge for yourself. Anytime Assemblyman Esposito wants these records, I will be glad to give them to him. Any line that is on subsidy, I will give an unsubsidized line with the same amount of buses, same amount of drivers, and the same amount of expenditures.

ASSEMBLYMAN ESPOSITO: Does any other member of the panel have any questions? (No questions.) All right, Mr. LeFante. Thank you.

MR. LE FANTE: Thank you, gentlemen.

John Hoschek, Director of Special Projects, Bergen County.

J O H N H O S C H E K: My name is John Hoschek. I am employed by the County of Bergen. The County of Bergen has a formalized Board of Transportation. I had originally intended to speak about the Bergen County Board's position on the bus program. That has been reflected in a position paper. But in deference to Mr. Stangl's continued request to talk about so-called abuses in the subsidy program, I think I would rather just say for the record that the Bergen County Board has filed a position paper with the DOT.

I would like to say that I think the word "abuses" may be a little too strong. Having been involved in the DOT's operation for nearly five years, I found, for the most part, that all carriers were either regulated by the Utilities Commission or by the Interstate Commerce Commission. They kept their books according to those agencies' rules and regulations.

The Department of Transportation went into a new program in 1969. It did not require any change in the accounting methods or in the rules and regulations. The original subsidy program was a one-year interim emergency program designed to keep people alive until the State could find a long-term solution to the bus problem. As a result of this, a set of rules and regulations was formulated. The main requirement for subsidy was that you file with the Public Utility Commission a request to discontinue service. After we went through three or four of these, we found out that all we were doing was getting everybody upset, losing riders, crowding the Utility Commission's calendar, and finding that local officials were just giving up their time to come to a hearing, the end result of which was foregone. Then DOT would come in as a savior and say we were going to subsidize them.

What happened then was that that set of rules and regulations was abandoned. The bus subsidy program kept going from year to year. If any abuses have crept into the subsidy program it is because, during the years after the original set of rules and regulations was adopted, there never was a set of rules and regulations. Everything was done because, by and large, the administration never really rolled up its sleeves and got into the problem of bus transportation as it should have. I think every member of your panel that dealt with me during that time will substantiate the fact that, by and large, the Bureau Chief was the one who was handling the bus subsidy problems and not the top echelon of the administration. I say that very generally. I know there were specific instances where that wasn't true.

Many times, I requested audits. Because the program was new, the audit staff was inadequate. There was one carrier who was not audited for three years. At the end of that time, that carrier was told that he owed something like \$80,000 in overpayments. After much discussion with the carrier, the DOT, the attorneys, etc., that amount was substantially reduced. I don't think it was the carrier's fault. I think the carrier did exactly what he had been doing: filed his reports to the Utility Commission and the Utility Commission audited those reports. That carrier would not have had any problem had the carrier been told how to set up his books prior to coming into the subsidy program or had he been audited on a regular basis, say, semi-annually or perhaps quarterly.

This current administration, from what I have learned, has solved that problem. They are doing audits. I have to give them credit. They are doing audits. In fact, they are doing audits to such an extent now that I have had arguments with them sometimes on getting some of the audits out and getting some of the bus companies on the subsidy program.

I do believe the so-called abuses that were advertised, let's say, in the newspapers, were a result of nothing more than the fact that the program operated since 1969 without any set of guidelines, without any rules, without any regulations. A bus operator came down, explained his problem and we looked at his financial statement. Most of the time, we had to make a businessman's judgment on whether or not to give him a subsidy because we could not get audits done. As I said, I want to be fair with this present administration. They are auditing.

My only complaint is that some counties have been putting up 25 percent and they don't get the benefit of the audits.

There is one abuse, however, that was not in the newspaper, Mr. Chairman, and I

think that this will bear on the amount of money in any subsidy program and I think the administration recognizes this. One carrier that I know of - and possibly two - did not come under the subsidy program until such time that it manipulated its corporate setup so that all of the operation of the company that was profitable was put into different corporations and only that portion of the service which was regular route remained in the corporation. That company then was put under the subsidy program. I believe that is a true abuse. And I believe it is a true abuse because it works to the detriment of those carriers, usually the larger carriers, which actually hold themselves out to be a transportation company. In other words, if a company holds itself out to do all of the business that a bus transportation company is supposed to do and then shows a loss, and that company is determined to be essential to the public interest, then the subsidy is a necessity. But where a company has manipulated its corporate entities in such a manner where only the regular route is in the subsidy program and the other portions of the company still earn profits for the owners and stockholders, if that were willfully done, then I think, Mr. Chairman, you have a true abuse of the subsidy program.

ASSEMBLYMAN ESPOSITO: You say "abuse" is the wrong word to use. Certain allegations have been made, allegations that private bus companies have claimed large operating losses and used their public subsidies to help underwrite items such as large executive salaries, insurance premiums for families of company officers and expenses related to the operation of profitably-operated associated firms. I know there are bus companies that have four or five different affiliated companies. If you look at the corporate setup, you will find the same officers in most of those corporations, but they are different corporations under different names. Don't you think that is an abuse? Also they take all of their salaries out of the company that is losing money. Don't you think that is a willful abuse?

MR. HOSCHEK: This is what I say: If a company that comes under the subsidy program does not hold itself out to do all of the business that a bus company is supposed to do, then it is an abuse of the subsidy program. In other words, if a management singles out certain business to put into this company and certain business to put into that company, and does absolutely nothing to enhance the position of the subsidized company, then I think that is an abuse.

ASSEMBLYMAN ESPOSITO: There is a member of this panel who does charter business and he runs lines. One of his lines showed a loss of \$150,000. Whatever profit he made on the charter lines, he threw into the operation that lost \$150,000. This is the way I think it should be done by all people in the bus business. If they want to be in the transportation business, they should put all their eggs in one basket.

MR. HOSCHEK: Mr. Chairman, I know the administrators of the DOT are aware of this and I think whatever legislation is eventually enacted has to reflect something that says that it is now no longer a good idea to separate all of the good stuff and just keep the losing lines and then go in for subsidy. I will say that to my knowledge the DOT now requires an audit of all the affiliated companies. Maybe Mr. Stangl will say I am wrong, but it was my understanding that they require an audit of all the affiliated companies. This is a first step to find out exactly what is happening.

ASSEMBLYMAN ESPOSITO: I don't think any bus company should receive a subsidy if they have affiliated companies making money.

MR. HOSCHEK: Well, I would tend to agree with that, except that there are certain circumstances that I ran into; for example, one bus operator had an affiliated company, if you want to call it that, and he was a dentist. He often said, "Why should I be a dentist and put all the money I make as a dentist into the bus company?" Well, that same

argument could be used by someone having a successful tour brokerage operation. He could say, "Why should I have to put all the money from my tour business into losing lines?"

But, in some cases, Mr. Chairman, I know for a fact a case where the bus company had all its eggs in one basket, as you put it, and actually did not come into the subsidy program for a year while they changed around their corporate setup. That I think is a willful abuse of the subsidy program.

ASSEMBLYMAN ESPOSITO: Yes, but there is more than one willful abuse. I think there is more than one company doing that and receiving subsidy - not just one.

MR. HOSCHEK: I am only knowledgeable about the fact that one company specifically did that.

ASSEMBLYMAN ESPOSITO: I know that you have been connected with the Cahill administration. You know about the bus program when it was started. Do you feel that there are abuses of the bus subsidy program today?

MR. HOSCHEK: I think, Mike, there are abuses. I think the abuses in the over-all picture of bus subsidies are minor compared to some of the statements that were made in the newspaper. For example, take a man who has a car and fills his car up with gas at the company pump. If he takes his wife out to dinner that night and it happens to have that gas in it, is that an abuse?

ASSEMBLYMAN ESPOSITO: When he buys his wife a car and he puts it under the company's name and he is receiving a subsidy, that is an abuse to me. That is taking advantage of the taxpayers.

MR. HOSCHEK: I only said that the guy had a car. What I am saying is that during the almost five years that I was involved in the subsidy program, if you have to use the word "abuse," the abuses were minor as far as the company willfully going out and doing something wrong - you know, with intent to do something wrong. I think most of what was reported in the newspapers came about because nobody ever sat down with these bus companies and said, "This is what you can do and this is what you can't do. And this is the type of accounting you have to have." I think a lot of it has been tightened up since auditors are going out now on a regular basis and doing a very complete audit.

Mr. Chairman, I think that a lot of people read those newspaper articles. But I understood that an awful lot of those facts and figures came from looking at PUC reports and DOT reports. If there are abuses, such as buying company cars and buying insurance policies, etc. ---

ASSEMBLYMAN ESPOSITO: Let me correct something. This investigation didn't come about only because of the articles in the Newark Star Ledger. I have been receiving letters as the Chairman of the Commission from the carriers that are not on subsidy, criticizing the bus subsidy program and pointing out abuses. I have received letters from the people who ride the buses. And that is why we started the investigation. Let's get the record straight.

MR. HOSCHEK: I am not aware of that. The program started in 1969. As you mentioned, the original appropriation was \$750,000. I left the DOT in May of 1974, at which time the program was \$3,800,000. I say to you that we did not have the audit staff. We did not do auditing as tight as supposedly it is done now. A lot of companies have come under the subsidy program since 1974 - many larger companies. The subsidy program, as you know, has escalated. During the five years that I was involved in the subsidy program, Mr. Chairman, there was no subsidization of competing lines. There was no willful intent to use subsidy money for purposes other than to operate the buses, except, as I mentioned, the one or two instances where carriers specifically separated portions of their operations into different corporations so that one corporation could apply for subsidy. During those

five years, as most subsidy operators could tell you, there was no way that they could raise administrative costs. One of the problems that I faced was that sometimes a guy would go out and drive a bus for a year, and the guy who owned the company was getting less salary. I am not speaking, Mr. Chairman, as to what has happened since 1974. But, in all fairness to this administration, I think with the magnitude of the dollars and the number of companies that have applied, I think the administration has tightened it up.

Most of the so-called abuses that were in the papers were items that were done during the normal course of business because there were no guidelines - no uniform system of accounts, as it were.

ASSEMBLYMAN ESPOSITO: Any other questions by the panel?

MR. FLATEMAN: Would you say that the present program that we have has a tendency to cause the so-called abuses in the program by bus operators seeing their assets depleted while they think they are not getting a fair return on their equity?

MR. HOSCHEK: Yes, because the original program in 1969 was a one-year emergency program and did not provide any return on investment. But now you say, the existing program. I hasten to point out to you that that particular law expired last June 30th and the bus subsidy contracts, I understand, since July 1st have to be written under a different law, which should provide for a return on investment.

MR. FLATEMAN: But it does not take depreciation into account, I understand; is that correct? I say, it does not take depreciation into account. That is not a cost in computing what a return should be. Is that correct?

MR. HOSCHEK: Up to 1974, it did not. I can't speak as to what they have allowed since then.

MR. FLATEMAN: Mr. Hoschek, having been with the DOT for a period of time, have any recommendations been made by you to the Department to come up with a different type of a program which might be more of an incentive for operators who are presently on subsidy to try to do better?

MR. HOSCHEK: I wrestled with others in the Department of Transportation concerning incentive programs. The most recent suggestions came about when the entire Bergen County Board of Transportation issued a position paper. The position paper does not necessarily reflect all my views. Being a county employee, I have to say that the position paper is the official paper of the Bergen County Board of Transportation. As long as I am employed there, I am not going to take that position paper to task.

MR. FLATEMAN: Thank you.

MR. GAETA: Mr. Hoschek, did you have an opportunity to listen to Mr. LeFante's statement?

MR. HOSCHEK: Only towards the end, Mr. Gaeta. I came in towards the end.

MR. GAETA: Mr. LeFante intimated it was possible that some operators could manipulate their revenues or expenses in order to qualify for subsidy or, in other words, to get a piece of the action. On the basis of your experience with this program, do you think Mr. LeFante had a point there?

MR. HOSCHEK: If Mr. LeFante said it is possible, I won't say it is impossible. Anything could be possible. We put a man on the moon and years ago we thought we couldn't do it. I would say, during the time that I was with the DOT, I did not find instances where carriers were dealing with two sets of books or something. But I hasten to point out two things: First, I was dealing with a handful of carriers compared to what the DOT is dealing with today; and, second, I didn't do the auditing. The Division of Fiscal Management in the DOT did the auditing. So, as far as I personally having knowledge of a

carrier with two sets of books, I can't say that I personally found this.

MR. GAETA: Thank you, Mr. Hoschek.

ASSEMBLYMAN ESPOSITO: Any further questions?

MR. DI DOMENICO: Mr. Hoschek, you mentioned earlier that if a carrier signed an affidavit for the discontinuance of service, he would then be put on subsidy. Was there an investigation into that particular company before he would be put on subsidy?

MR. HOSCHEK: There was an investigation to the extent that the carrier had to fill out certain financial forms. They had to fill out a form showing the revenue for the prior year or operating results.

MR. DI DOMENICO: If there was a similar carrier with the same amount of intake for that particular year, did you ask any questions as to how the other carrier was able to run without subsidy?

MR. HOSCHEK: No. We were only concerned with the particular service that was in the subject application.

MR. DI DOMENICO: And you also mentioned that there was no duplication of service?

MR. HOSCHEK: I mentioned that during the years that I was involved in the subsidy program, we did not subsidize any service that was competitive to another service. To the best of my knowledge, that holds true.

MR. DI DOMENICO: Could you tell us what was the format or the guidelines you used on the replacement program for State-owned buses?

MR. HOSCHEK: The replacement program for State-owned buses?

MR. DI DOMENICO: Yes.

MR. HOSCHEK: Well, the intent of the program was to retire the old buses of the State. However, at that time, we knew that we could not give new buses only to those carriers that had old buses that didn't do anything to keep their fleet up. So we said we had to do something for the carriers that kept on buying buses and for carriers that weren't under subsidy. So we did not take a straight-line approach of just replacing the oldest bus first. We also took the number of riders of each carrier and took a percentage of the total riding. We said that each of these companies then should get this percentage of new buses. That was then shaded a little bit where we thought that an area had to have a few more buses or things like that. But, by and large, that was the original allocation. I call your attention to the original allocation because not only has the number of buses changed, but, in some instances, the type of buses has changed. And the allocation has been changed by others since I have been there.

ASSEMBLYMAN ESPOSITO: Mr. Hoschek, one last question: At the present time, approximately 25 percent of the State's bus passengers travel on unsubsidized bus lines. Do you think that the non-subsidized carriers will be able to survive at their present levels of service if the existing subsidy program continues?

MR. HOSCHEK: If the existing subsidy program were to continue?

ASSEMBLYMAN ESPOSITO: Yes. You see what I am trying to bring out. The way the bus subsidy program is today, we are getting more and more people going in the bus subsidy program. Everybody is fighting to get into the act. Whether they are going to do it by manipulation of the books or what, I don't know. I don't know how they are going to do it.

MR. HOSCHEK: I think a bus operator would be crazy to try to keep on operating as a private entity if we kept the same subsidy program. In other words, there isn't anything at all to keep him in the business because he would see that all of the other carriers are getting their operating costs covered, they are getting capital equipment, etc. I admit that the private operators are getting buses too. But there is one thing that I

would like to say, Mr. Chairman, about any legislation that you might write. I represent a county government at the present time which has ever since the subsidy program started put 25 percent in and, in one instance, 50 percent. That particular law expired last June 30th. But I want to say this: If there is any legislation that is enacted which calls for county or local participation, please give the county or local people some voice in the service. Bergen County since 1969 has participated in the subsidy program. It has never officially been part of these committees. It has never officially had a voice in the subsidy operation. It has never received copies of audits. In other words, I have to go to the Freeholders and explain why we need \$300,000 possibly for bus subsidies next year, and we don't know what is going on. When the Freeholders read about so-called abuses and things like that, we don't have the backup - we don't have the figures. We have participated in the bus subsidy program. We have been asked to give our views occasionally. We have had meetings with the Assistant Commissioner. We have had a very good rapport with the Bus Bureau, I think, in getting details of schedules and things like that worked out. But I am implore you to give the county some sort of more official voice when you write legislation. Thank you.

ASSEMBLYMAN ESPOSITO: Do you have any idea what specific action should be taken to strengthen the non-subsidized portion of the bus industry?

MR. HOSCHEK: Yes. I think that the non-subsidized carriers ought to get some sort of - and I am going to call it a bonus - if a non-subsidized carrier goes out and does a good job and he can increase his passengers. You can take a page from the New York State subsidy program and set a number of passengers. If a guy goes out and gets more passengers, give him a couple of cents for every passenger that he increases, like New York State does. Let me tell you, this will become a nice incentive for these bus companies. Tell them to stay off the subsidy program for \$100,000 or \$1 million or \$1 1/2 million, and give them an incentive to keep their buses, keep them running on time, provide some supervisory help, and increase their passengers. This is what the bus industry needs - the private industry, now. I am talking about the segment of the industry that is on the fringe. It can make it with a little help. I am not so naive as not to know that there are some lines that no matter what you did, you could never make them pay. We are running some of them in Bergen County and I am the first one that is going to say that some of those lines are never going to pay. They are a public service from start to finish.

ASSEMBLYMAN ESPOSITO: Thank you, Mr. Hoschek.

MR. FLATEMAN: I have just one question I'd like to ask. Since we are looking into abuses of subsidy programs - and, to my way of thinking, abuses are wasteful spending of taxpayers' money - I have been told that in some cases where bus lines compete with rail lines, the passengers on the rails are subsidized to a far greater extent per trip than those same passengers would have to pay if they were to ride a bus from the same points. Would you know whether that was true?

MR. HOSCHEK: I don't have all the figures gelled in my head. But, as far as the general opinion is concerned, I would say that a rail passenger is subsidized, dollar per passenger, at a higher rate than a bus passenger.

MR. FLATEMAN: Thank you.

MR. DI DOMENICO: Mr. Hoschek, earlier you mentioned when the subsidy program was first going into effect, there were one or two bus companies that were operating properly, but, since then, they have changed their corporations and now they are being subsidized. Would you pass that information over to our Chairman?

MR. HOSCHEK: I will.

ASSEMBLYMAN ESPOSITO: Thank you, Mr. Hoschek.

MR. HOSCHEK: Thank you.

ASSEMBLYMAN ESPOSITO: Mr. William Beren, League for Conservation Legislation. Mr. Beren, I wish you would stick to the mandate of the legislation, ACR 172.

W I L L I A M B E R E N: Thank you, Mr. Chairman. I was invited here to speak on the subsidy problem by the Committee Aide. While I don't have particular expertise as to specific abuses that occurred in the subsidy program, I do have comments regarding the entire subsidy program the way it has been operating and administered. So if I could address my comments to those -- I will leave it to the Committee to decide. I do think what I have to say relates ---

ASSEMBLYMAN ESPOSITO: We would like to look at your statement first. Are you going to stick to the statement?

MR. BEREN: No, I will abstract from it. (Prepared statement appears beginning on 1x.)

MR. GILHOOLEY: Mr. Chairman, I have read quickly through this paper. I have heard you testify before very eloquently in defense of your cause. That is not what we are about today and there is nothing that I can see in this paper after a quick reading relevant to the mandate of this Commission. It would seem to me that if we are going to be consistent with the ruling of the Chairman, any comments that you make extemporarily should concern themselves with "abuses" of the current bus subsidy system.

MR. BEREN: As I recall the phrase has been "abuses and inadequacies" of the program. And I think I will address myself to inadequacies of the program.

ASSEMBLYMAN ESPOSITO: I would like to see you start your statement where you say: "The other option we would like to see explored, particularly in urbanized areas such as Newark, is where subsidized lines are 'competing' with non-subsidized lines. . ." I think that is what we are looking for.

MR. BEREN: All right.

For the record, my name is William Beren. I am the legislative agent for the League for Conservation Legislation. We represent over fifty environmental, citizen, and transportation groups across the State. Our concern with the issue of mass transit relates to our concern about air quality and energy conservation and the revitalization of our urban centers and we see the promotion of mass transit as a key ingredient in achieving those goals.

In discussing the subsidy program, I will go over the things on my first page. We are very concerned that the entire focus of this committee and the entire focus of the legislature is dealing with the subsidy program has been solely the fiscal end of it, how much money can we save by knocking out competitive lines; how much money can we save by doing this or this or this? Now, I would just like to point out that there are other considerations, particularly as transit riders - and I count myself as a transit rider - as to what the legislature and this community should be looking at and how to improve the mass transit program. Private enterprise in New Jersey is in sharp contrast to what's happening in other states. I would specifically like to go over what is happening in Milwaukee because there was a very similar situation in Milwaukee where there was a transit system that was owned by the public utility which was taken over by public authority there. I am not advocating that New Jersey take over public authority, but I just want to highlight the difference in approach between that state and New Jersey.

In talking to the director of Transportation for the Milwaukee region, Milwaukee County, he specifically stated in very clear terms that the reason why Milwaukee took over the mass transit system there was because Milwaukee residents

believed very deeply that mass transit was an essential public service which should not be operated for gain, but instead should be primarily concerned with servicing the public and servicing the needs of the community. The authority had five specific goals which was their aim in taking over the system; one was to reduce the 60¢ fare to 25¢; the second was to add 17 million route miles to the system at a rate of 1 million miles per year; the third was to replace the bus fleet with new equipment; and the fourth was to add a minibus fleet to service special needs; and the fifth was to establish a merchandizing program to promote bus service.

Now, I digressed to bring these points to your attention because I believe that the contrast in attitudes between Milwaukee and New Jersey is instructive. I think the legislature in New Jersey is too concerned with the fiscal end of it, and not concerned enough with meeting the transportation needs of the State of New Jersey.

The conventional wisdom - as was expressed time and time again today - seems to be to dismember the subsidized lines and give them to the independents to run for profit. That may be fine from the fiscal perspective, but again there are other considerations. We have to treat the mass transit system in the state as a network of interconnecting lines and not one independent running this line profitably and another independent running his line profitably - and even though they cross, there is no connection between the two of them.

We would support a strengthening of the subsidy program and the independent lines only if the independents can show us how they can work together to accomplish the goals of providing a marketing program, providing easy transfer between lines, and things like that which will promote transit use and not work to discourage transit use. Fragmentation of the state's transit operations impose certain built-in inefficiencies which the subsidy program, at least in the interim until the Department's long range studies are finished, should start to overcome. For instance, we are aware of some subsidized lines between TNJ that are running routes from garages that are two hours away from where the routes are.

The Committee should give attention to seeing whether the Department has adequate authority to combine administrative functions like this, so that if TNJ continues operation of the route, maybe they can charge garage space with another subsidized line closer to the route that is being run, to save on headways and dead times. This may not eliminate the need for subsidies, but certainly it will reduce the costs.

Another option we would like to see explored, particularly in urbanized areas such as Newark, is where the lines are competing - which is where they are running on the same street - the state consider turning one of the lines, either the subsidized or the other, into an express service, while the non-subsidized firm continues to provide local service. The logical candidates, I think, for this would be the #31 line along South Orange Avenue and the #13 and #112 lines along Broadway in Newark where you have competing service, but easily one could be made into an express service and one into a local service so they would compliment each other rather than compete against each other.

I would like to also turn my attention a bit towards the role of the legislature in the whole subsidy program. Mr. Salveson from Cape May County earlier today said that everybody is at fault, not just DOT but everyone. I think that is really true. I think a lot of the problems that we are seeing in the subsidy program are a result of nobody giving a damn. No one has cared enough about mass transit in this state to really look and see what is happening. DOT hasn't done any oversight; the legislature hasn't done any oversight on what DOT has done. I think the legislature

should recognize that its own failure in this regard to take the initiative in mass transit is one of the reasons why the subsidy program is in such a mess. You have really let the subsidy program skimp from year to year on a year to year basis. You haven't developed any long term funding program for the subsidy program. You haven't given the Department any directions as to what they should be doing, and I think this really isn't a legislative committee, but to the extent that you are going to be recommending legislation, I think you should look at the role that the legislature can play in really strengthening the whole mass transit program.

Specifically there are four points that we would like this Committee to consider in writing any legislation: one, to provide a long term assured financial source for transit operation in the state, so that the Department knows how much money they have to deal with and they can plan accordingly, and they can make effective use of their planning dollars.

Second, to expand the present staff in the Department of Transportation for transit planning. We are talking about subsidies and whether a line should be subsidized or not, whether it is providing essential service or not, and this is a function of state planning. According to the Office of Fiscal Affairs and their program analysis of the Department last December, 1975, they pointed out that less than 1% of total DOT staff time is devoted to mass transit planning. We think that is outrageous. We think that the legislature should provide the resources to the Department so they can mount a good planning effort. I don't know how you are going to handle that with the 5% spending cap. It may mean shifting resources from highway planning to mass transit funding - or if you do have a new funding source, maybe it won't be at the expense of anything else. That is an absolute priority, to expand the DOT planning staff for mass transit purposes.

Third, to provide funds for an aggressive and comprehensive transit marketing program, so that I can call up a central number and find out how to get from point A to point B in New Jersey. When I was in Mercer County, trying to get from one place to another, I was given four different numbers to call. I was given Mercer Metro information to call; I was given a TNJ number to call; I was given the new bus station in Trenton to call, plus the number I had called originally. That is just outrageous that there isn't a single central information point.

Fourth, the consolidation of transit planning responsibility in the Department of Transportation which many other people have mentioned already. I think that about covers what I have to say, and I would like to answer any questions of the Committee.

ASSEMBLYMAN ESPOSITO: Mr. Gilhooley.

MR. GILHOOLEY: I think your statement was excellent. I am not sure it is quite relevant to our charge, but on page two where you talk about the Milwaukee situation, I am directing your attention to items one and two, did you ask Mr. Brannon how much that was going to cost over a five-year period, and by that I mean reducing the fare from 60¢ to 25¢ and adding 17 million route miles to the system at the rate of 1 million route miles a year?

MR. BEREN: No, he was not able to supply any cost figures. I did ask whether they had done a study prior to the takeover, as to what the costs were, and if there had actually been a study to show that this was the most efficient way of doing it, and the answer which I got back was, "No, there had been no study; there was just this feeling that transit should not be in a profit making role, transit should be to provide service." So apparently they have not done an individual study. The implementation of those first two items has been delayed, pending the receipt of additional money from the State and UMTA.

MR. GILHOOLEY: Well, the experience of the transit industry generally in cutting fares and in adding route miles after public takeover has been that the costs have increased geometrically and astronomically, and it would seem to me that is something the legislature would want very much to take into consideration before as it was considering your recommendation.

Now, the only other thing I would like to---

MR. BEREN: Can I answer that question, please, before you go on?

MR. GILHOOLEY: Surely.

MR. BEREN: He did give us figures, which I don't have off the top of my head, indicating that while their expenses did increase slightly it was not a major increase. It was something like 17¢ per passenger mile, but I would have to go back to my files and check that.

MR. GILHOOLEY: I urge you to do that.

MR. BEREN: I believe he said the average ride costs about 70¢ or 75¢ and the fare was 60¢ and it had just been reduced to 50¢.

MR. GILHOOLEY: You are adding a million route miles a year.

MR. BEREN: This was the actual cost. This wasn't what their plan was.

MR. GILHOOLEY: I would like to see those numbers, if you can derive them. We could take a look at San Diego, Atlanta, and a few other systems that have done that to see what has happened to their costs.

The other matter that you raised about the run off times and the distances to garages, the suggestion that you made is that perhaps some of our buses could use the garages of some other subsidized companies that were close to us. You have a very real labor problem there, very serious labor problem there that I think would be impossible to overcome.

MR. BEREN: These are some of the problems that we see with continuation of the subsidy system---

MR. GILHOOLEY: It would happen either way.

MR. BEREN: ---with some of the private lines, where we are not able to affect cost savings along these lines of consolidation of facilities, where it may benefit the lines, but because of jurisdictional problems between the companies, it is not feasible.

MR. GILHOOLEY: It is going to happen any way. Unions are not going to give up their prerogatives, at least they haven't in the United States in my lifetime. Or if they give them up, they give them up after a long hard contest.

ASSEMBLYMAN ESPOSITO: Thank you. Mr. Flateman.

MR. FLATEMAN: I just wanted to make one point, taking a little thing like 17¢ per passenger mile, I just wanted to mention one thing to Mr. Beren. I think it might be interesting. If you were to talk in terms of 17¢ per passenger mile, and assume you had 40 passengers on the bus traveling 50 miles, for that one trip alone you would be talking about an increase of \$34. Now, multiply that by thousands and thousands of schedules in a week, and you see what you will come up with at the end of the year.

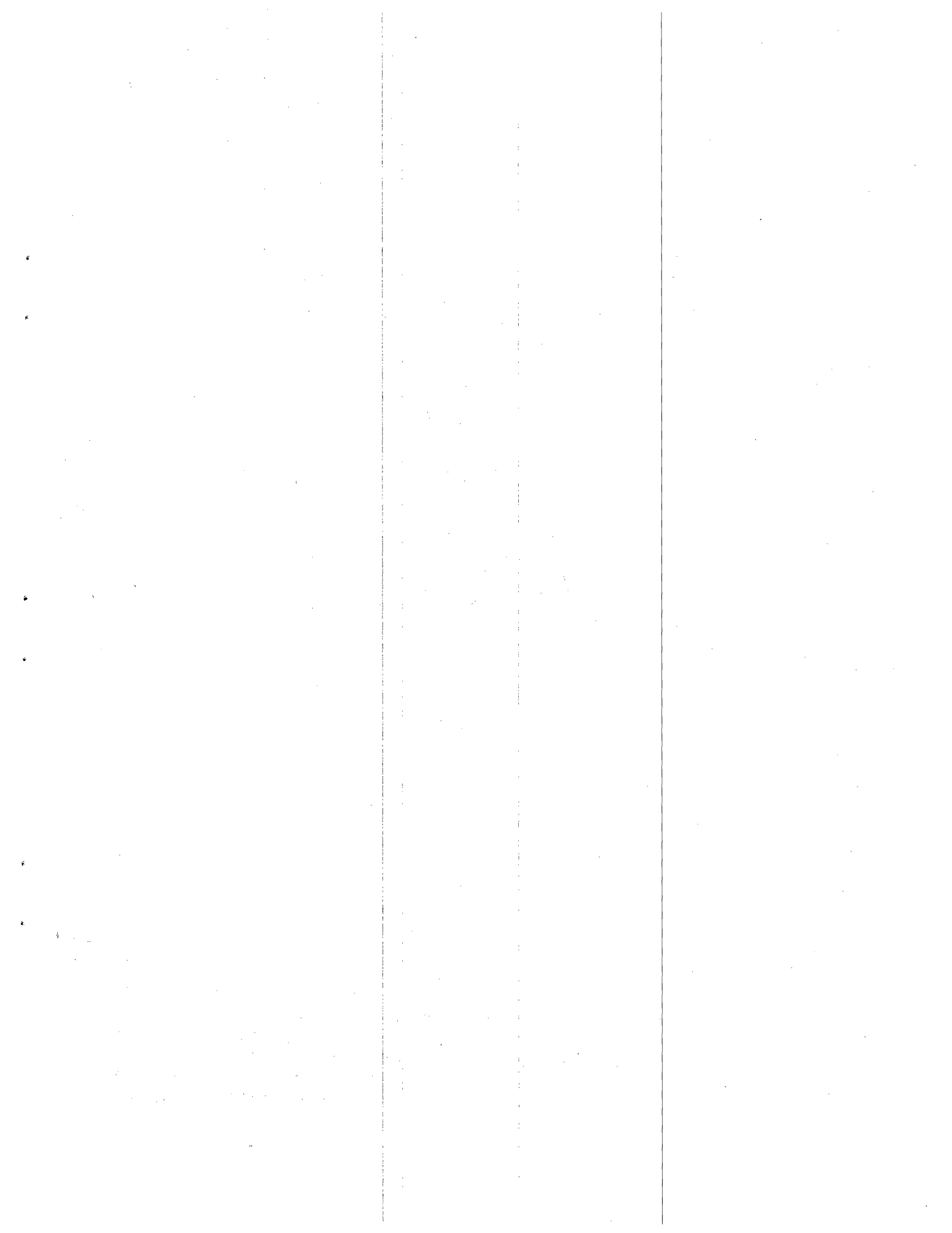
MR. BEREN: I never said it would be cheap. My point was that there are other considerations besides just financial considerations that we have to deal with, and the emphasis should be on improving transit in the state, which is desperately needed.

ASSEMBLYMAN ESPOSITO: Thank you, Mr. Beren. Is Mr. Riley here? (No response.) This hearing will come to a close. I would like to thank our recording secretaries for their

patience and diligence today. I also would like to thank the members of the Commission who took time out of their busy schedules to help in the conduct of the hearing. The Commission intends to hold another public hearing. We intend to invite the owners or the corporate officers or the management personnel of the various companies who we suspect have abused the bus subsidy program in the State of New Jersey. They will be invited to come to the next public hearing. Thank you.

(Hearing concluded)

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## STATEMENT ON BUS SUBSIDIES, NOVEMBER 3, 1976

My name is William Beren. I am the legislative agent for the League for Conservation Legislation, representing over fifty environmental, citizen, and transportation groups across the State. LCL is very much concerned with the issue of mass transit, since we see buses and rail transit as an alternative to the continued use of the private automobile, in order to save energy, reduce air pollution, revitalize our urban centers, and promote more concentrated forms of land development.

Our first observation is that in discussing the subsidy program, the legislature is almost totally preoccupied with the fiscal implications of the program, to the exclusion of other considerations such as improvement of the service and the shifting of passenger trips from the auto to transit. The sad truth is that despite the energy shortage, mass transit usage continues to decline in New Jersey, while gasoline consumption is at a record high, surpassing the previous record set just before the oil embargo in September 1973.

This is in sharp contrast with the experience of other cities and metropolitan areas which have consolidated bus service and aggressively marketed that service. For example, Seattle saw ridership increase by 600,000 between June '74 and

June '75, including a 40.8% increase in suburban areas.

Milwaukee is another low density urban area similar to New Jersey which has within the past two years taken over the private bus operators within its borders. According to Robert Brannon, Director of Transportation for Milwaukee County, the dominant reason for the public takeover was the deepseated believe by Milwaukee residents that an essential public service such as transit should not be run for profit, but instead should be primarily concerned with servicing the needs of the community. The authority had five goals upon taking over the system. They were:

1. to reduce the 60¢ fare to 25¢.
2. to add 17 million route miles to the system at a rate of 1 million route miles per year.
3. to replace the bus fleet with new equipment.
4. to add a minibus fleet to service special needs.
5. to establish a merchandizing program to promote bus service.

As a result, quoting from a Milwaukee Journal editorial, fares are lower, buses cleaner, transfers more flexible, and timetables more readable. Ridership rose for the first time in 10 years.

I digressed to bring these points to your attention because I believe that the contrast in attitude between these cities and New Jersey is instructive.

Aside from the problems of whether the State is oversubsidizing a particular company either through mismanagement or fraud, the main problem on everyone's mind in New Jersey is whether the state should continue to subsidize lines in competition with private lines which are "turning a profit."

The conventional wisdom seems to be to dismember the subsidized lines and give them to the independents to run profitably. That may be fine from a fiscal perspective, but there are other considerations that the transit user is more concerned with. Are the lines part of an overall system with coordinated schedules, easy transfer privileges, and the benefit of a central information network? We can not afford to continue viewing transit as a patch-work quilt of individual lines. Instead we must treat it as an integrated network which it must be in order to attract new rideship.

We would support a strengthening of the independent lines at the expense of the subsidized companies if the independents can work together to accomplish these goals. Unfortunately, that has not been the case, and we can only see continued fragmentation result from such a move.

Such fragmentation of the State's transit operations imposes certain built in inefficiencies which the subsidy program should strive to overcome. For instance, some subsidized lines along the shore are being run out garages two hours away in the New Brunswick area. The legislature should give the COA authority to consolidate these kinds of administrative costs so that TNJ for this instance, can run its buses from garages owned by other companies also on subsidy but closer to the actual route being served. We may not eliminate the need for subsidies from such a move, but we can certainly reduce costs.

The other option we would like to see explored, particularly in urbanized areas such as Newark, is where subsidized lines are "competing" with non-subsidized lines, that the State consider turning the subsidized service into express service, while the non-subsidized firms continue to provide local

service. In this way, rather than compete these lines can complement each other. Logical candidates for this would be the #31 line along South Orange Avenue, and the #13 line and #112 lines along Broadway in Newark.

Unfortunately, up to now the role of the legislature has been almost punitive vis a vis the issue of transit in New Jersey. As I mentioned in my opening statement, the legislature has almost totally been concerned with financing to the exclusion of improving service. Much of the blame has fallen on NJ DOT, but I think that the legislature should recognize that its own failure to take the initiative in this matter is one of the reasons why we have let the subsidy program limp along from year to year. Not just the legislature, but everyone really shares in this blame. If I may draw an analogy, as of last May, over 40 bills have been introduced in the legislature seeking improvements in one form or another in the State Highway system. The only comparable bills dealing with mass transit were efforts to reestablish rail service along the West Shore right-of-way in Bergen County, and one or two proposals for park and ride facilities.

We are entering the first round of the budget process just now. I think it is essential that the legislature look at the steps they can take to improve transit service and the capabilities of NJ DOT to handle that program.

Specifically, we recommend the legislature do the following:

1. provide a form of long term assured financing for transit
2. expand the present staff in DOT for transit planning
3. fund an aggressive and comprehensive transit marketing program
4. consolidation of transit planning responsibility in one agency, preferably in the Dept. of Transportation.

Thank you for the opportunity to speak before you today.



