

974.90
T764
1977d
v.2

T764
1977d
v.2

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

MAY 6, 1977
AFTERNOON SESSION
BERGEN COUNTY ADMINISTRATION
BUILDING
HACKENSACK, NEW JERSEY

Louise
Sherman

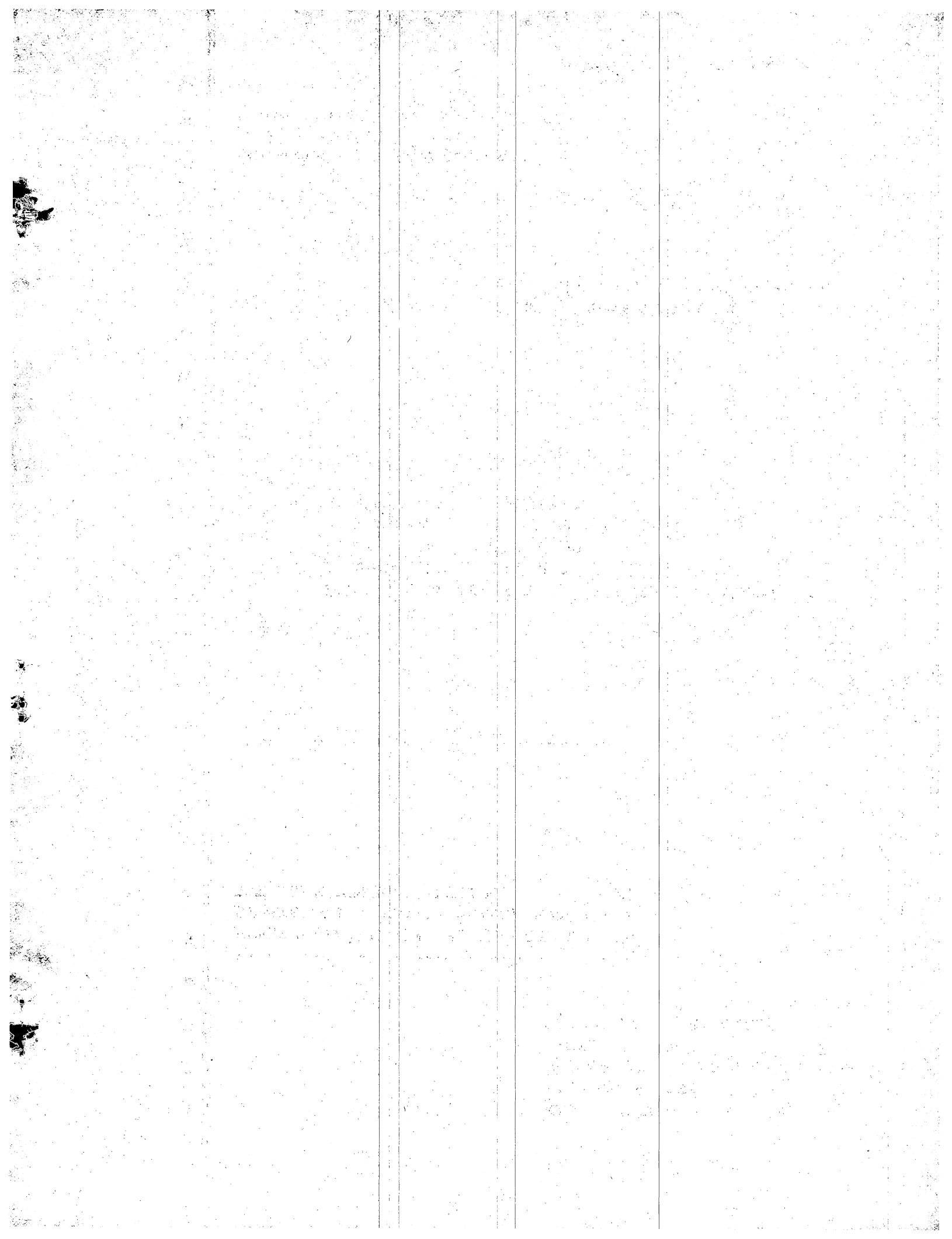
PUBLIC HEARING OF THE NEW JERSEY :
SENATE AND ASSEMBLY TRANSPORTATION :
AND COMMITTEES REGARDING :
S-3220 :
and :
A-3257 :

B E F O R E:

ASSEMBLYMAN MICHAEL P. ESPOSITO, CHAIRMAN
ASSEMBLYMAN C. GUS RYS
ASSEMBLYMAN ROBERT BURNS
ASSEMBLYMAN JOHN N. DENNIS
SENATOR HERBERT BUEHLER

Karen Hansen Geisler
Certified Shorthand Reporter

Rosenberg and Associates
769 Northfield Avenue
West Orange, New Jersey 07052



I N D E X

	<u>NAME</u>	<u>PAGE</u>
1		
2		
3	Eugene Schneider	2
4	John J. Gilhooley	14
5	Ellen Bruck	41
6	Bob Kane	44
7	Stephen Dubrow	45
8	Michael Persons	50
9	Robert B. Johnston	54
10	Honorable Alan Sagner	67
11		
12		
13		
14		
15		
16		
17		
18		
19		
20		
21		
22		
23		
24		
25		

1 (Taken by and before Karen Hansen Geisler,
2 a Certified Shorthand Reporter and Notary Public of
3 the State of New Jersey, on Friday, May 6, 1977,
4 at 2:30 p.m. at the Bergen County Administrative
5 Building, Hackensack, New Jersey, pursuant to
6 notice.)

7
8 ASSEMBLYMAN ESPOSITO: Mr. Eugene
9 Schneider, Executive Director, County and
10 Municipal Government Study Commission, you may
11 proceed.

12 MR. SCHNEIDER: Mr. Chairman, I'm the
13 Executive Director of the County and Municipal
14 Government Study Commission, and I'm an arm of the
15 State legislature.

16 I do not have a prepared statement today,
17 but the Commission's reports on bus transportation
18 in New Jersey will be issued, hopefully, Monday,
19 and I would propose to incorporate the report into
20 the record of these Committee hearings.

21 The Commission has not taken a position on
22 the two, on the bills, but the report that will
23 be issued Monday will reflect in general the
24 principles encompassed in this legislation.

25 We had dealt primarily with county roads

1 and local roads to the extent that there is a
2 municipal road beyond the county, but by necessity,
3 our work, which had taken the better part of the
4 year, examined what the State role is and should be
5 because of the paramount State position in
6 defining a bus transportation network.

7 We made a number of recommendations, which
8 I will cite in a moment or two, but in general,
9 these recommendations will presuppose that the
10 State will reorganize its internal administrative
11 apparatus, that the State will establish the means
12 for determining the basic level of service and
13 incorporating such into operational plans, and the
14 State will develop a formula for administering
15 the subsidy program, based on realistic and
16 periodically updated cost factors, that the State
17 will consolidate the regulatory functions into
18 one agency, providing, however, that the rights
19 of viable private carriers will not be
20 compromised to an unwarranted protection of
21 subsidized operations, that the State will have
22 the capacity to acquire lines, in certain
23 circumstances, based upon clearly established
24 legislative criteria, and to assign such routes
25 to a management company or to a viable carrier.

1 I might add that the commission does not
2 endorse the establishment of a State operating
3 agency, especially in view of the potential for
4 competition with subsized lines which it regulates.

5 Finally, in an area closest to our work,
6 that the legislation will enact provisions for
7 optional operating agencies on a county or multi-
8 county basis, through various organizational
9 arrangements.

10 I think, Mr. Chairman, that the
11 legislation proposed generally carries out the
12 assumptions, which are prerequisite to any
13 effective county road.

14 I'd like, with your permission, to deal
15 with some of the specific recommendations that
16 relate to the county inputs into what we hope will
17 be a better state-county role, along with the
18 private, along with the carriers in the future
19 bus transportation network in this state.

20 We dealt with the specific areas, the
21 area of planning, the area of regulation, and
22 the area of the subsidy program or funding.

23 Starting with the regulatory area, I think
24 that the position endorsed by, in the bill or
25 reflected in the bill calling for consolidation

1 of regulatory policies and powers within a single
2 agency, namely the State D.O.T., should be
3 implemented.

4 However, the regulatory functions and
5 related policy determination must be conducted in
6 such a manner as not to undermine the participation
7 of the private sector. All of the regulatory
8 powers need to be strengthened.

9 The system needs ongoing inputs from the
10 legislature and from the private sector to insure
11 that the regulatory units within the State D.O.T.
12 does not promote and encourage the services which
13 the D.O.T. subsidizes.

14 I believe there are safeguards in the
15 legislation against these potential actions, and
16 we will, therefore, proceed to the next area.

17 The State D.O.T. should institute an
18 administrative process and procedure that
19 represents an accountable, open and responsive
20 mechanism for public needs.

21 The process and procedures should indicate
22 to the carriers, to the counties, to the public,
23 the basis and standards, the criteria, and the
24 considerations that would be applied by the State
25 in all regulatory determinations.

1 The statutes should be revised to enable
2 the State to maintain primary regulatory
3 responsibility, but that the counties should be
4 permitted to participate in the regulatory process
5 in a complementary and supportive capacity,
6 especially in supervising and monitoring intra-
7 county service.

8 The statutes should be revised to enable
9 the State, in order to minimize costs and maximize
10 service, to modify the carrier's schedules, routes,
11 fares and headways, in accordance with an
12 understood basis and plan.

13 The statutes should be revised to
14 strengthen the State D.O.T.'s responsibility to
15 rationalize bus service in accordance with county
16 local needs.

17 Also, the county should participate in all
18 necessary areas, such as route designations,
19 extensions, fare structures, financial
20 determinations, and special services.

21 Finally, again, in the regulatory sector,
22 that the State legislature support a reasonable
23 amount of resources for the State D.O.T. to
24 fulfill its present and recommended new
25 responsibilities in regulating bus services, and

1 that the State D.O.T. subject its regulatory
2 process, procedures, and actions to an annual
3 review by the legislature.

4 Again let me reiterate, Mr. Chairman, that
5 I think the legislation that was drafted generally
6 embodies the principles that we sought and
7 recommended in our report.

8 The key area where there should be an
9 increased role for county government, I think, is
10 in the area of planning, and by planning, I might
11 say, I mean not just the matter of designating
12 groups, but the entire array of related and
13 ancillary activities, and in this we feel that the
14 process of making the basic determinations of what
15 the services should be, should be based on a
16 mutual arrangement between those counties that
17 desire to participate, and are capable, by the
18 way, of participating in the process and the State
19 government.

20 I might say, perhaps somewhat critically,
21 that in the past this relationship did not exist,
22 basically it was from the top down. We had felt
23 in our study that the planning process bypassed
24 county government, local government in general,
25 and was something between the State and the

1 carriers.

2 We proposed to have in the future a greater
3 role for those regional and county agencies in the
4 process of determining the routes and the services.

5 Concerning what we hope for will be the
6 effective planning process, we would recommend
7 that the State D.O.T. be responsible for
8 developing a state-wide master plan, base plan,
9 that would lead to a state-wide transportation
10 plan and formulate the goals and establish a
11 framework within which county and local operation
12 planning can be conducted. That should be a
13 State responsibility.

14 As a condition for annual funding by the
15 legislature, the State S.O.T. be mandated to
16 formulate and update a State plan encompassing a
17 network system for each of the major bus
18 corridors, and a rational basis for making
19 necessary alterations and adding required new
20 services.

21 That the statutes mandate that the level
22 and quality of bus services be based upon a
23 mutual state-county determination of what service
24 is necessary and what is the most appropriate
25 manner for achieving such service.

1 county officials should be involved in all
2 planning programs and proposals associated with
3 their communities.

4 Now, in general, the State be responsible
5 for the inter-state routes and assuming
6 coordination between the inter-county routes and
7 linkages between the State's principal urban areas.

8 That, in general, the counties should be
9 responsible in the planning process for all intra-
10 county services and local routes. The planning
11 process should be so structured that the issues
12 can be formulated and initiated from the bottom
13 up, as well as from the top down, to assure
14 proper adherence to policy priorities and funding
15 constraints.

16 Finally, that the State D.O.T. increase
17 its in-house capability to manage, supervise and
18 plan a state-wide system. Also, the counties
19 should be actively encouraged and supported by the
20 Federal State grant process in their effort to be
21 responsible for their transportation planning.

22 It is important that the counties play an
23 integral role and not be an optional appendage.

24 Again, I would like to say that the
25 sections of the bill dealing with the planning

1 process, and I considered them to be the critical
2 sections, to reflect these basic assumptions of an
3 improved mutual state and county and private
4 sector planning approach.

5 The third and last of the areas we
6 examined deals essentially with the subsidy program,
7 and what its configurations ought to be. The
8 outstanding problems and issues, to address the
9 outstanding problems and issues confronting the
10 subsidy program, I will not go into description of
11 what has been in the past, the Commission
12 recommends that since only the State has the
13 resources and mandate to review and analyze the
14 costs associated with a carrier's service, and
15 since the State has in actuality been the primary
16 provider of the subsidy, the State assumes the
17 responsibility for any and all operating
18 subsidies that are needed to sustain a basic level
19 of service that has been mutually determined by
20 the State and the counties.

21 That the overall system should incorporate
22 the county on a sharing incentive basis, and
23 depending upon the cost of the base level plan,
24 the counties have an option of either contributing
25 to the overall level of service desired by the

1 county, including operational regulations and
2 planning components, for assuming the necessary
3 complementary responsibility for purchasing those
4 services not included in the basic plan.

5 The previous speaker, I believe, addressed
6 some problems in this area. We believe that the
7 only thing will rest on how you define what is the
8 base level plan. It should be as inclusive as
9 possible, so that whatever services contribute to
10 an improvement of transportation in general,
11 should be eligible for incorporation in the base
12 level plan.

13 I think that would be a critical issue
14 for counties if they are asked to contribute to
15 above the minimum, so to speak, and to assume
16 several other important, but complementary
17 responsibilities.

18 Third, that the incentive programs for
19 participating in the planning process be
20 developed to elicit not only county route plans
21 but a wide range of necessary data on consumer
22 attitudes, quality of services and related issues.

23 Four, that as a condition for annual
24 funding, the State D.O.T. be mandated to
25 institute rigorous criteria and standards for

1 subsidy and capital programs.

2 Also, D.O.T. should develop an information
3 accounting system that will assure uniform
4 determinations based upon an analysis of the
5 associated revenue and costs on a route by route
6 basis, and it will also assure effective
7 management controls.

8 That the enabling legislation empowering
9 the D.O.T. to accomplish the stated objectives be
10 clear and very specific, in terms of goals,
11 criteria and responsibility for State action with
12 the carriers, and that the State's subsidy and
13 carrier evaluations be subject to an annual review
14 and analysis of the legislature's Office of Fiscal
15 Affairs.

16 Another important point, I think that
17 legislative oversight is very necessary, not only
18 in terms of the plan itself, but also specifically
19 concerning the fiscal aspects of the plan.

20 That the State conduct an on-going, but
21 at least an annual, evaluation of all carriers as
22 a basis for the carrier's continued certification
23 to meet the public's needs, and that such an
24 evaluation indicate the capability and resources
25 of the carrier as a sound business concern and in

1 terms of such factors and personnel qualifications,
2 and management and fiscal controls.

3 Next, that if the carrier, after having
4 received a reasonable and recognized amount of
5 assistance, is unable to deliver efficient and
6 effective service, the State reserve the right,
7 based upon evidence and public hearings, to transfer
8 the carrier's route or routes to another carrier
9 or to a management company.

10 Next, that in the event other counties, in
11 addition to Mercer, which is the only county
12 operating a bus system at the present time, decide
13 to operate common carrier service, there should be
14 options available for creating the regional
15 agencies which I cited before.

16 These would include counties empowered to
17 operate common carrier service through a county
18 improvement authority, or counties should be
19 empowered to operate the service with full
20 responsibility for ownership, as a department of
21 county government, or counties should be
22 empowered to establish multi-county transportation
23 agencies, having operational powers, only.

24 These, Mr. Chairman, are the Commission's
25 recommendations in general, and again as I say

1 they will be supported in the Commission's report.
2 I'd just like to end by saying that I believe that
3 the legislation encompasses virtually every one of
4 these objectives. I cannot speak for the details
5 concerning any of the elements, but -- and
6 obviously, there will be suggestions for
7 amendments, but I think that those will be mostly
8 in realigning internally some of the aspects of
9 the legislation.

10 Thank you.

11 ASSEMBLYMAN ESPOSITO: Mr. Eugene Schneider,
12 we commend you on your excellent statement you
13 made this afternoon, and the Committee looks
14 forward to receiving your report on Monday. We
15 intend to study and scrutinize it very closely.

16 Thank you, Mr. Schneider.

17 MR. SCHNEIDER: Thank you.

18 ASSEMBLYMAN ESPOSITO: Mr. John J.
19 Gilhooley, President, Transport of New Jersey.

20 MR. GILHOOLEY: Mr. Chairman and members
21 of the Committee, I appreciate your opportunity
22 and your indulgence and your forbearance in
23 permitting me to come back again to testify again
24 briefly before you.

25 I have brought with me today amendments

1 that are proposed by Transport of New Jersey to
2 the current bill, amendments, which, if adopted,
3 would bring us very close to being able to support
4 the legislation.

5 If I may, I believe all you gentlemen have
6 been given copies of these amendments, and also
7 copies have been given to members of your
8 respective staffs. I don't intend to cover the
9 ground today of all of those amendments, because
10 they are matters which I assume will be matters
11 for discussion between our respective staffs.

12 However, if I may, I would like to just
13 re-emphasize before you for the second time that
14 the single most important amendment in our
15 judgment is that the new agency at this time, and
16 I emphasize that, not be given the power to
17 operate any bus service.

18 In short, it should be the function of
19 the new agency to oversee, finance, plan for,
20 free enterprise operation of bus systems, but not
21 to operate the system itself.

22 This is equally important in our
23 judgment, any franchises or properties acquired
24 by the agency should be required, may I underscore
25 that, required to be leased for operating

1 purposes to an appropriate private carrier which
2 is presented based and operating in and from out
3 state.

4 Now, Mr. Chairman, Transport strongly
5 desires to be as cooperative and as constructive
6 as it can be with respect to the Transportation
7 Improvement Act of 1977.

8 As indicated earlier a week ago, the bill
9 as presently drafted contains provisions which
10 will cause this state, the riding public, counties
11 and local government and the New Jersey motor
12 carriers very serious problems, both in the short
13 and the long term.

14 An all out conscious effort to resolve
15 these problems, so that we can support this
16 legislation, we have met with the Department of
17 Transportation staff and offered them suggested
18 amendments and legal language. We have offered
19 them to the Committee staff this morning.

20 We are continuing to discuss these
21 amendments with the D.O.T. staff, but we need
22 more time. The Department has conceded that
23 there are some areas of the bill that could and
24 should be amended, and has accepted the
25 substance of some of Transport's amendments in

1 those areas, but there are still other important
2 areas which are under discussion.

3 Our problem, gentlemen, is time. We need
4 further time to discuss these amendments with the
5 Department as well as with the members of the
6 Senate and Assembly Transportation and
7 Communications Committees and your staffs.

8 I have outlined earlier the areas of
9 legislation, of the legislation that give us
10 concern, and therefore, I shall not repeat that
11 testimony.

12 I will say, however, that to create a
13 massive new agency for public transportation, as
14 this bill does, with the powers to regulate,
15 contract and above all, operate public
16 transportation in this state, necessarily sets
17 into motion forces that could quickly get beyond
18 the control of the government as they have in
19 every city or area where this approach has been
20 tried.

21 I don't think that this is what you want,
22 I don't think it's what the people of our state
23 want, and therefore, I ask you for more time to
24 pursue these decisions both with the Department
25 and your very able staff.

1 Now, how much time am I asking for? I
2 simply ask for a reasonable amount of time that is
3 consistent with the magnitude of the problem, the
4 tremendous, far reaching impact of this bill,
5 which will carry this state into the 21st Century,
6 against the Department background and history of
7 three and a half years of study, at a cost of over
8 a million dollars with consultants, six months
9 to draft this bill, and we have been give in
10 effect less than a week to draft amendments to it.

11 The more we look at it, the more problems
12 we see.

13 I ask only fairness and justice and for a
14 reasonable period of time given the background I
15 have just given you.

16 You members of the legislature know far
17 better than I the serious perils involved in
18 enacting legislation which is not fully
19 understood and digested by your staffs and by our
20 citizens through the free press.

21 Legislation can be enacted in haste, but if
22 disasterous consequences result, as I foresee here,
23 I conscientiously believe they will with this
24 legislation, I doubt that the people will permit
25 us to repent at leisure.

1 deficiencies of the MTA."

2 No one knows better than your speaker,
3 believe me.

4 "The proposed new PTA, if it were set up
5 to run the subsidy program, would be a signal to
6 the transport unions to become more adamant in
7 their bargaining demands; if they held out long
8 enough, they'd think, the State would give them
9 what they want."

10 "The proposed subsidy program is designed to
11 weed out unfit inefficient operators and help the
12 good ones to provide better service. Let's give
13 it a chance for a time, without trying to reform
14 the entire system in one big bite. The subsidy
15 proposal has to be approved by the legislature,
16 which can take care to spell out in the legislation
17 that neither a public takeover nor a new and omni-
18 potent transit agency is to be a sonsequence of
19 its action."

20 Two other Bergen County publications, The
21 Post and the Ridgewood News, very important
22 newspapers, in the May 4 and May 5 editions also
23 warned loudly and clearly of the hazards of a
24 public takeover, and I quote them: "A bill with
25 the laudable intention of organizing the control

1 of mass transit in an enlarged commuter agency
2 has been introduced by the Byrne Administration
3 and while the plan has several strong points there
4 is at least one hazard that should be avoided,
5 that is public ownership of bus lines, on what would
6 seem to be a patchwork pattern. That is, the
7 Department of Transportation would be authorized,
8 through the agency, to buy and operate a bus line
9 that failed to match mandated service requirements
10 or refused to do so.

11 Public operation of mass transit has had
12 an unhappy history in various cities, and we
13 believe this is one field better left to private
14 operation."

15 Let it not be said of us, and I say
16 respectfully, that all the facts were not on the
17 table in front of you gentlemen for deliberation
18 before you voted on such far ranging proposals
19 as these.

20 May I respectfully remind you that New
21 Jersey ought not to be put in the position,
22 because it doesn't have to be, of Washington, D.C.
23 and other places, particularly Washington, which
24 is currently wildly looking around in an attempt
25 to unscramble the eggs it cooked late in 1972.

1 There is no way, gentlemen, you can
2 unscramble those eggs, once you scramble them.
3 It simply cannot be done.

4 Let us in Heaven's name not put New Jersey
5 in that position.

6 Incidentally, if anyone comes before you
7 and attempts to defend what has happened in any
8 of these jurisdictions that I have mentioned, may
9 I respectfully suggest that you send a staff
10 member or a staff member of the D.O.T. to check
11 out exactly what has happened in any of those
12 cities or any others not mentioned, and objectively
13 report the findings back to you.

14 Incidentally, over and above specific
15 amendments to the legislation, it should be noted
16 that neither Transport, nor I don't believe any
17 other carrier, has yet been briefed by the D.O.T.
18 as to how the amended incentive subsidy formula
19 would apply to a carrier's operations.

20 We are still flying blindly in this area.
21 We are asked to buy a pig in a poke and I think
22 time is essential for the carriers to be briefed
23 on how the incentive subsidy formula, which we
24 believe has been recently amended in important
25 respects, and we have not been informed of this,

1 except we have been told it's been amended in
2 very important respects, will have a deliterious
3 effect on our operation. We've been told that.
4 it will apply to a carrier's current operations.

5 How in Heaven's name can we undertake to
6 support something and we don't even have the
7 foggiest notion of what the figures are, or how
8 they would apply to our operations or whether we
9 could live with them, and if Transport,
10 gentlemen, if Transport can't live and the
11 Department of Transportation knows this and has
12 said it, if they cannot live with the formula
13 that are presented, then no other carrier in the
14 state can live with it, and if that is so, then
15 this new agency under the present bill is going to
16 have every subsidized carrier under its wing
17 within the next six months or a year.

18 Gentlemen, there's been much talk about
19 the Department, the State of New Jersey, and the
20 legislature sitting on a "time bomb." If this is
21 a "time bomb" it has been ticking for the last
22 nine years, but you don't diffuse a time bomb with
23 a sledge hammer, nor with hasty moves, not fully
24 thought out beforehand.

25 A time bomb, as I remember my experience

1 in World War II, a time bomb is diffused with
2 careful, precise, measured movement, and I
3 suggest, gentlemen, that this legislation, which
4 is meant to diffuse the "time bomb," be carefully,
5 thoroughly, and precisely thought through before
6 being rushed to judgment. If that is done, that
7 is not -- if that is not done, then a bomb of a
8 different kind, and far more dangerous to our
9 citizens, will in my opinion explode within the
10 next year.

11 Thank you very much, gentlemen, for your
12 attention and time.

13 ASSEMBLYMAN ESPOSITO: Any questions,
14 Senator Buehler?

15 SENATOR BUEHLER: Mr. Gilhooley, you
16 alluded to the fact that you need reasonable time,
17 you and your staff, and the so-called "time bomb"
18 reference made by Commissioner Sagner indicated
19 to members of the legislature that there was a
20 timetable of events leading up to July the 1st.

21 What is reasonable time in your opinion,
22 in getting together as you have been over the
23 past several weeks with the Department of
24 Transportation, and do you feel that there is no
25 urgency leading up to the date of July 1st?

1 MR. GILHOOLEY: Well, I have never
2 considered it, to be perfectly honest with you,
3 Senator, we all see these things through the prism
4 of our own self interests.

5 I must tell you that I had not considered
6 in terms of the context of July the 1st, but I
7 understand it to be the budget making process,
8 and I understand the problem, believe me.

9 You indicated that we had several weeks
10 to discuss this with the Department. I testified
11 before you last week, last Friday, and said to you
12 that I would work the staff over the weekend, we
13 had four days at that time to review the bill,
14 and I had the staff work over the weekend and we
15 would be ready at eight o'clock on Tuesday
16 morning to present amendments to the D.O.T.

17 We were ready at eight o'clock Tuesday
18 morning, we worked all weekend until very late
19 into the night, and we had one meeting with the
20 Department lawyers, at which these amendments
21 were discussed, and this morning, I received a
22 letter from an official of the Department in which
23 he replied to the amendments and indicated that
24 certain had been accepted and others had not.

25 The other meeting, we had a meeting as I

1 understand it set for 1:30 on Monday to go further
2 into this. Now, in addition to that, the
3 Department is unable to go much further with its
4 planning with respect to the --

5 ASSEMBLYMAN ESPOSITO: Mr. Gilhooley, I
6 want you to be made aware of the fact that this
7 bill is now in the hands of the legislature, and if
8 you had any amendments to give or any amendments
9 to suggest, I think it was incumbent upon you to
10 give it to your staff here, not to the D.O.T. or
11 anybody else.

12 MR. GILHOOLEY: I beg your pardon, sir.
13 If I may finish the answer to Senator Buehler's
14 question, I'd like to address that, and if I have
15 done something that is out of order, I certainly
16 do regret it.

17 I'd like to get to that in a moment.
18 The Department, for reasons that I'm not clear on,
19 has not been able to get sufficient monies from
20 the treasury to go the consultants that made up
21 these very complicated formula, Senator, and have
22 the consultants sit down with the Departmental
23 people and go over the formula that would apply
24 to our most current figures.

25 The last thing that we've seen is how our

1 formula work on our fiscal '75 figures and an
2 awful lot has happened to our company since that
3 time, and at that time, which was six months ago,
4 at that time the formula were not satisfactory,
5 we made a series of suggestions, some of which
6 were accepted, we understand, some were not,
7 we're not sure, and we have further been told
8 that other changes have been made which will be
9 detrimental.

10 Now, an attempt was made, to be perfectly
11 honest, an attempt was made to get a meeting this
12 morning, between some Departmental person and
13 ourselves to have another go at this on '75
14 figures or '76 figures, '76 has passed. We weren't
15 able to reach that agreement to meet, because of
16 these hearings.

17 We are attempting to get another meeting
18 on Monday, so when you asked me how much time we
19 need, I would say at the outside, two weeks from
20 now. We might be able to conclude it at a short --
21 at a shorter time than that. We are prepared to
22 go around the clock.

23 Now, Mr. Chairman, if that's a satisfactory
24 answer, Senator Buehler --

25 SENATOR BUEHLER: Yes, these are the same

1 amendments?

2 MR. GILHOOLEY: Yes, sir.

3 SENATOR BUEHLER: Which were turned over
4 to the Department of Transportation?

5 MR. GILHOOLEY: Yes, sir. Now,
6 Mr. Chairman, I misunderstood, perhaps, what I
7 was instructed to do last Friday, and if that has
8 given offense, that misunderstanding has given
9 offense, I sincerely regret it.

10 It was my understanding that the orderly
11 process of government would indicate that we try
12 to reach some agreement with the administration,
13 and if we could reach full agreement, we would
14 then not be in a position of having to bother
15 you and your staff with additional work.

16 That was my basic understanding, if I'm
17 wrong, I sincerely apologize. I thought I was
18 right, but if I was wrong, I apologize.

19 Nevertheless, it seems to me obvious now
20 that we are not going to be able to reach that
21 kind of agreement in a way that we can support
22 the bill, and we are, therefore, responding to the
23 initiatives of the Committee, stating in effect,
24 as I understood it, if you can't reach an
25 agreement with the Department, you come back and

1 you see us. That I understood was the agreement,
2 if it was not, again, I'm sorry.

3 ASSEMBLYMAN ESPOSITO: I didn't make such
4 an agreement with you.

5 MR. GILHOOLEY: I think you're right.

6 ASSEMBLYMAN ESPOSITO: I was at the last
7 public hearing, I asked you to submit the
8 suggested amendment, you said you would do it
9 over the weekend. I said submit it to my
10 Committee.

11 My Committee immediately went to work, my
12 staff, and they met with members of the D.O.T.,
13 and they met with members of the Study Commission
14 and with four or five other members, with a
15 member of your fiscal affairs, they worked on
16 amendments, and you've got to remember that this
17 legislation is now in the hands of the
18 legislature.

19 MR. GILHOOLEY: You know, you're
20 absolutely right, Mr. Chairman, and I do remember
21 your saying that you weren't quite sure how you
22 wanted this handled, and in all fairness, I should
23 have called you and followed up and asked you how
24 you wanted it handled.

25 SENATOR BUEHLER: There are two committees,

1 one is headed by Assemblyman Burns, and I charged
2 you as head of the Senate Transportation Committee
3 to get together with D.O.T. and subsequently met
4 with David Goldberg, and members of the
5 Department, so that we worked independent of one
6 another as committee chairmen, and cohesively
7 when it comes to the final outcome, I hope.

8 MR. GILHOOLEY: I thank you very much for
9 that, Senator. You've got me off a hot spot, but
10 I still think I owe you an apology, Mr. Chairman.

11 ASSEMBLYMAN RYS: Mr. Gilhooley, did you
12 by any chance get a written statement by the
13 Department?

14 MR. GILHOOLEY: The letter came in as I
15 was leaving the office, I took a quick look at it,
16 it's written in very technical legal style. I'll
17 be very happy to furnish it to the Committee.

18 ASSEMBLYMAN RYS: I'd like to have a copy.

19 MR. GILHOOLEY: Certainly.

20 SENATOR BUEHLER: Two weeks?

21 MR. GILHOOLEY: At the outside, I would
22 say two weeks, it may be we can conclude earlier,
23 but we are ready to go.

24 ASSEMBLYMAN ESPOSITO: Assemblyman Burns,
25 do you have a question?

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

ASSEMBLYMAN BURNS: No question.

ASSEMBLYMAN ESPOSITO: Assemblyman Dennis?

ASSEMBLYMAN DENNIS: You were not here earlier, Mr. Gilhooley, but one of your other staff members were, and I think you will agree pretty much with what the rest of the people said this morning that testified, I assume that lunch time --

MR. GILHOOLEY: Yes, I read Mr. Reuken's (phonetic) testimony, and while I can't agree with everything Mr. Reuken said, I have respect for him, I agree with him in his essential thrust, which is that private enterprise can do this job better than a public agency, and that's been proven, and I think that was the thrust of many of the bus operators.

ASSEMBLYMAN ESPOSITO: Assemblyman Rys, any questions?

ASSEMBLYMAN RYS: No, I don't have any more questions.

ASSEMBLYMAN ESPOSITO: Senator Buehler has a question.

SENATOR BUEHLER: For the record, what is the basic thrust of your amendments, where do you not agree on substantial issues?

1 MR. GILHOOLEY: I have not had a chance to
2 go over the answers, I was not present at the
3 meeting with the lawyers, but the basic areas for
4 change were spelled out on pages six through eight.

5 I'll be glad to read them, I don't think
6 you want me to, six through eight of my initial
7 testimony of last week, but I think, Senator, if
8 I may, that --

9 SENATOR BUEHLER: In other words what I'm
10 saying, Mr. Gilhooley, there are members of this
11 audience here, I understand, as well as people
12 that you represent and members of the Department of
13 Transportation, you're saying two weeks, there are
14 other people that have other problems, again, it's
15 a responsibility of the legislature to put
16 something in place by July 1st, in my opinion, and
17 if that be the case, I'd like to know where the
18 widest spread of differences are, so that that's
19 clear in my head.

20 MR. GILHOOLEY: I'd be happy to submit,
21 if you'd permit it, I haven't had a chance to
22 review their response, I'd be happy to submit
23 shortly, within a day or two, perhaps by Monday,
24 to the Committee an outline of where the basic
25 areas of disagreement are.

1 I would say that the key feature to us at
2 Transport is the section that provides for a public
3 takeover of a company which cannot or will not
4 operate certain lines.

5 One of the reasons why the company cannot
6 do it is because they've been given a contract that
7 they have to refuse.

8 In other words, if the State agency wishes,
9 it can make the shoes pinch so tightly, that any
10 time they wish, that the agency simply cannot
11 take it over. I mean the company cannot run the
12 service, and the agency then will take it over,
13 and operate it.

14 Now, there are other dangers that I would
15 just as soon not allude to, and they are very
16 serious dangers. They've been alluded to in
17 Mr. Reuken's testimony.

18 There are other dangers that could cause
19 this whole house of cards to come tumbling down
20 within the next year or two.

21 SENATOR BUEHLER: Now, let me ask you a
22 very important question, you cited in the cases
23 of Washington, Los Angeles, Cincinnati, Philadelphia,
24 New York, Boston, St. Louis, Chicago, did they
25 get to the end of the line as Jersey may be getting

1 to the end of the line, because you said in your
2 original testimony that the day may come, and it
3 may not be too far off, that the State ultimately
4 is going to get -- going to have to get, by virtue
5 of the situation, deeply involved in a commitment
6 on mass transit.

7 How far down the road did these cities go
8 before they made that decision, and it backfired
9 on them?

10 MR. GILHOOLEY: Well, we are unique,
11 Senator, in New Jersey, in that we are essentially
12 a -- we are very densely populated, we don't have
13 a subway system, except the PATH system, which is
14 relatively small, you could put it in one corner
15 of the IRT in New York, and the Newark Subway
16 System.

17 Essentially, we are a bus state, and we
18 have operations that go beyond the kinds of
19 operations that we are talking about in the other
20 cities, transit operations where you have the low
21 fare, heavy peak load, swing loads at peak time,
22 that sort of thing with fares and very difficult
23 to make a profit, where you cannot raise the fare
24 in effect.

25 We've had our fare at 40 cents since 1972.

1 and you know what's happened to prices since 1972.
2 We have commuter operations, however, and charter
3 operations and we run a very substantial tour
4 operation all over the United States and Canada
5 which permits us to offset the enormous losses we
6 have operating in cities of Newark, Jersey City
7 and elsewhere, so that we have -- we have had a
8 better shot at the business than some of these
9 other cities.

10 There is one other factor that I think
11 should be before the Committee. The Committee,
12 and I think the State has been fortunate, that
13 Transport, as a wholly owned subsidiary of Public
14 Service Electric and Gas, which has permitted this
15 company to operate since 1970, and to commit to
16 that state, to commit to the State thirty million
17 dollars of its capital assets to keep the company
18 running as a matter of good will.

19 Public Service Electric and Gas is married
20 to the land in this state. They are a very
21 responsible company. They have lost money, take
22 a look at the negative net worth. They have put --
23 we sold garages when I first came here, Senator,
24 we were going into the tank, one of the reasons I
25 was brought here was that, to try and make the

1 company more efficient.

2 We cut fifteen million dollars worth of
3 inefficiency out of the company that had grown up
4 over the years.

5 We sold, I can't remember, six to eight
6 garages. We got three and a half million dollars
7 for those garages, every single cent of that
8 capital return was plowed right back into the
9 business and went out in wages to bus drivers and
10 fuel costs and the rest.

11 I remember telling that to a very high
12 official, whom I shall not name, of the Department
13 of Transportation at a conference down in New
14 Orleans. He said if I were you, I'd go into a
15 mental institution.

16 But the point is, that the Public Service
17 Electric and Gas, whether one likes it or not,
18 there are people on the podium who have spoken
19 to me about that company, has done this for the
20 State of New Jersey, and there is no question, no
21 getting around it, they have taken two dividends
22 in 40 years out of this company and they have
23 plowed every cent of profit back into the company,
24 and they have permitted thirty million dollars of
25 their assets to be used to keep the company

1 supporting.

2 Governor Cahill knows that, Governor
3 Cahill told me in '72 when I told him it's either
4 subsidy or we have to go out, he said Jack, I think
5 Transport has done everything I could ask it to
6 do.

7 Commissioner Sagner has said the same
8 thing to me. I think Transport has done everything
9 it can do, and PSE&G has done everything it can do.

10 These are matters of record, they are
11 matters of fact, and everybody, every operator
12 in this room knows that. That's the only reason
13 we have been able to stay in business and the only
14 reason we are able to stay in now is that we are
15 subsidized, but how are we subsidized, we are not
16 being paid for depreciation, so we are losing
17 hundreds of thousands, if not millions of dollars
18 a year on depreciation.

19 Our garages are out there at the service
20 of the people of the state, our busses, our 2,000
21 busses are out there, we are getting nothing for
22 that at all, we get no return on investment.

23 We get no management fee, we are getting
24 far less than the railroads are getting, and I
25 don't know what ConRail is getting for running

1 the railroads, but I understand it's between
2 six and a half and seven percent return on
3 investment, and they can take out all of their
4 costs and depreciation. If I'm wrong on that,
5 I'll apologize, but I think I'm correct.

6 We're not whining about it, we're not
7 crying about it, we're doing the best we can with
8 a paste and glue pot job.

9 We look to this incentive subsidy program
10 as a salvation for private enterprise. It may
11 turn out not to be such, it may turn out it will
12 not work. I've had my defensive time on the field
13 for five years. I want to get my offensive guys
14 out there. I want to get my supervision out
15 there and I want to run the kind of bus company
16 that this state deserves, and we're not doing it
17 now because we can't, and if we can't, ultimately
18 it fails, I'll be the first one to come back here
19 and tell you.

20 SENATOR BUEHLER: One last question.

21 You've been in the bus business a long time, and
22 I don't ask you to look in the crystal ball, but
23 the major objection that everyone has is the fear
24 of the State taking over, ultimately. Do you
25 foresee that if this bill did not include that

1 option, that looking down the road the next five
2 or ten years, that that would come in any event?

3 MR. GILHOOLEY: Let me answer that this
4 way, that the time might come, Senator, I have to
5 be a realist, the time might come when the State
6 would have to acquire certain carriers that
7 couldn't make it on the incentive subsidy program.
8 It might come.

9 At that time, then the Legislature, it
10 seems to me in its wisdom at that time, looking
11 at the situation, could legislate a very simple
12 thing to do and give the agency such powers as
13 they needed, not to necessarily operate, but
14 acquire, to turn over the necessary operations to
15 another private carrier based in New Jersey.

16 We don't need people from Cincinnati or
17 people from Dallas or people from Dubuque or
18 people from Keokuk or people from Denver
19 coming into New Jersey to tell us how to run our
20 bus systems. We know how to run them all right.

21 I would respectfully say to you that the
22 people who are running the bus lines in this
23 state, even though they are losing money, know
24 their business, they've been in it for a long
25 time. We just can't get profitable routes, so I

1 see no need for the State ever to operate.

2 What the State might have to do is acquire,
3 and after acquiring, choose a carrier in the area
4 which can run the operation under the incentive
5 subsidy program, and I see no reason why that can't
6 work, and that's exactly what we are urging the
7 State to do, not operate, don't go out and bring
8 in a bunch of foreigners, we have enough of them
9 now, carpet baggers, in here to run the systems
10 that we know, and love, if I may say so, having
11 given so much of our sweat and time and effort
12 and blood to try and get them into the black.

13 That's what I am pleading for, Senator,
14 and if that's done, I think you'll see an enormous
15 change in the bus operations of this state.

16 We willingly seek supervision, we are
17 anxious to be supervised, we are willing to be
18 tested, we are saying ahead, test us, be fair, but
19 test us, and if we can't come up to, measure up
20 to your specifications, then kick us out.

21 SENATOR BUEHLER: Thank you, Mr. Gilhooley.

22 ASSEMBLYMAN ESPOSITO: Assemblyman Burns,
23 any questions?

24 ASSEMBLYMAN BURNS: No questions.

25 ASSEMBLYMAN ESPOSITO: Assemblyman Dennis?

1 ASSEMBLYMAN DENNIS: No.

2 ASSEMBLYMAN ESPOSITO: Assemblyman Rys?

3 ASSEMBLYMAN RYS: No questions.

4 MR. GILHOOLEY: Thank you, gentlemen,
5 you've been so kind to me.

6 ASSEMBLYMAN ESPOSITO: Is Eleanor Bruck
7 here?

8 MS. BRUCK: Yes.

9 ASSEMBLYMAN ESPOSITO: From the County
10 League of Women Voters.

11 MS. BRUCK: Good afternoon. I am Ellen
12 Bruck, a member of the Tenafly League of Women
13 Voters, and the Transportation Director of the
14 Bergen County Interleague Organization.

15 League members at the local, state and
16 tri-state level have been studying transportation
17 for the past several years.

18 The League of Women Voters maintains that
19 transportation should be considered a public
20 service whose operating costs are subsidized as
21 are the operating costs of all public services.

22 It is apparent that the current program is
23 inefficient and promotes a less than adequate
24 transportation system.

25 It was therefore, appropriate, for the

1 Department of Transportation to study the current
2 system in an effort to produce legislation to
3 improve the situation for all.

4 We believe the bill under consideration
5 provides for the service to foster efficient and
6 adequate public transportation, which is in the
7 public interest.

8 The League further recognizes that
9 transportation planning and construction must
10 weigh all social and environmental costs. The
11 bill under consideration does this by providing
12 that the determination of service consider factors
13 of ridership, public dependancy, economic and
14 social needs, as well as impact on traffic,
15 environment and energy resources.

16 Of utmost concern to the League of Women
17 Voters is the continuous and widespread community
18 participation throughout the planning, development
19 and operation of any transit program.

20 The bill under consideration provides an
21 increased role for the public in the development
22 and annual updating of the base public
23 transportation service plan.

24 League members are strong advocates of
25 establishment of standards and comprehensive

1 evaluative measure to insure that standards are
2 met. This legislation provides for the
3 establishment of such standards.

4 The requirement for annual update in the
5 proposed legislation provides the opportunity for
6 the kind of evaluation essential to the maintenance
7 of standards.

8 Since the annual update will be initiated
9 at the county level, both local government and
10 citizen groups will have the opportunity to
11 monitor the evaluation process.

12 The League strongly supports the subsidy
13 program which rewards efficiency and encourages
14 accountability. The development of the base
15 public transportation service plan provides a
16 basis for measuring efficiency and accountability.

17 It will further provide specific
18 information to the Legislature during the budget
19 process. The League endorses this kind of
20 informed decision making.

21 Our members share a strong belief that a
22 creative and aggressive marketing program is a
23 vital element in any successful transportation
24 program. The potential transit consumer must be
25 made aware that service is available to meet his

1 needs.

2 This bill accounts for a service
3 information system and marketing programs. It
4 further provides an opportunity for innovative
5 marketing techniques in its provision for the
6 introduction of services on a temporary basis with
7 costs shared by state and local governments.

8 We thank you very much for this
9 opportunity to address the Committee.

10 SENATOR BUEHLER: Thank you very much.

11 MS. BRUCK: Thank you.

12 ASSEMBLYMAN ESPOSITO: No questions from
13 the Committee?

14 ASSEMBLYMAN RYS: No questions.

15 ASSEMBLYMAN ESPOSITO: Bob Kane, Fairlawn
16 Transportation Company?

17 MR. KANE: I'm Bob Kane from the Fairlawn
18 Transportation Company. I didn't know about this
19 meeting until 11:30 this morning, so I really
20 don't have a prepared statement, but we are a local
21 operation, it runs to Fairlawn and Paterson, intra-
22 state operator, and our problems are similar to
23 the gentleman from Hudson Bus.

24 We are a non-subsidized carrier. That's
25 all I really have to say.

1 SENATOR BUEHLER: At any time, you can
2 present a written formal statement to the Joint
3 Committee, we'd be glad to enter it in the record.

4 MR. KANE: Fine, fine. Very good.

5 ASSEMBLYMAN DENNIS: Have you read the
6 bill, sir?

7 MR. KANE: I just received it this
8 morning.

9 ASSEMBLYMAN DENNIS: I would say we'll get
10 a copy of the bill to you, if you haven't seen it.

11 ASSEMBLYMAN ESPOSITO: Assemblyman Rys,
12 do you have a question?

13 ASSEMBLYMAN RYS: No, only one thing to
14 get, Mr. Kane, get the information pertaining to
15 your company pertaining to this Committee.

16 MR. KANE: Fine, I'll do that.

17 ASSEMBLYMAN ESPOSITO: Assemblyman Burns?

18 ASSEMBLYMAN BURNS: No questions.

19 ASSEMBLYMAN ESPOSITO: Thank you, Mr. Kane.

20 MR. KANE: Thank you.

21 ASSEMBLYMAN ESPOSITO: Mr. Larry Hecker,
22 Greater Newark Chamber of Commerce?

23 Mr. Stephen Dubrow, Committee for Better
24 Transit. You may proceed, Mr. Dubrow.

25 MR. DUBROW: Mr. Chairman, members of

1 the Committee, my name is Stephen Dubrow, I'm an
2 Associate Professor of Engineering and Urban
3 Systems at Fairleigh Dickinson University in
4 Teaneck, and I'm President of the Committee for
5 Better Transit, a transit consumer organization.

6 Last week Stephen Lax, the coordinator of
7 our Committee for Better Transit, New Jersey Task
8 Force, appeared before the Committee in support
9 of the Transportation Improvement Act of 1977.

10 While we have been studying the issues
11 raised in this act for a long time, we were, out
12 of necessity, forced to prepare our comments in a
13 few days between the receipt of the final wording
14 of the act and the hearing held last Friday.

15 With the scheduling of this additional
16 hearing, we are grateful for the opportunity to
17 make these additional remarks.

18 First, let me reiterate our support for
19 this act. However, as an all volunteer citizens
20 group, however, Committee for Better Transit is
21 concerned that citizen input into the transporta-
22 tion planning process be easily accomplished,
23 and that the public be assured that input be
24 honestly considered and not merely pushed aside.

25 We suggest that this can best be

1 accomplished by having regulatory control within
2 the Agency for Public Transportation as this act
3 proposes with the added provision that there be
4 broad public announcements of all fare and major
5 schedule decisions 45 days prior to implementation.

6 In our proposal, anyone who had made a
7 presentation to the agency in conjunction with the
8 decision making process, whether orally at a public
9 meeting or in writing, would receive, upon request,
10 an analysis by the agency of his or her comments
11 and an indication of their validity or feasibility
12 in the context of the issue at hand.

13 If a citizen felt that an error in fact
14 had been made in the agency's evaluation of her
15 or his comments, he or she could submit a written
16 appeal to an impartial arbiter within D.O.T.

17 If the arbiter agreed that the position of
18 the citizen had not been properly analyzed, the
19 proposed fare or schedule change would be
20 suspended until an analysis had been completed and
21 evaluated.

22 Keeping questions of fact, as
23 distinguished from questions of law, within D.O.T.
24 and out of the courts or some appellate body is
25 preferable to us for two reasons.

1 (1) Quite frankly, even a 350 member
2 organization, such as ours, could not afford to
3 hire a lawyer to represent us on transportation
4 issues on which we take a stand.

5 Secondly, it is extremely time consuming
6 to go through formal appeal procedures, primarily
7 because of the preparation time needed for all
8 parties to participate in a formal proceeding.

9 Thus, providing there is opportunity for
10 public comment and public review of agency
11 decisions, we support regulatory authority maintained
12 within the Agency for Public Transportation.

13 Across the country transit riding is
14 increasing in many areas, of course New Jersey is
15 not one of them. The problem is that New Jersey's
16 transit system is not a system, uncoordinated
17 routes, mismatched schedules, random fares and
18 irrational service.

19 The Transportation Act of 1977 is the
20 first step in doing something about this.

21 I thank you.

22 Although I would like to add an extra
23 comment, if I may, since Mr. Gilhooley quoted from
24 an editorial on the record, I'd like to quote
25 from our response to that editorial, "Essentially

1 across the country, there are good public
2 operations and good ones. There are many public
3 operations that are efficiently operated, and have
4 improved service and gained ridership in recent
5 years.

6 Actually the vast majority of transit
7 operations in metropolitan areas are not publicly
8 owned. It was the only way that service could
9 be maintained.

10 Mass transit is an essential public service
11 that requires governmental financial support to
12 survive."

13 The real question is not should the transit
14 system be taken over by the State, after all the
15 first steps have already been taken indirectly
16 through the present subsidy proposed, but rather
17 what type of organization structure can best
18 deliver the transportation services needed by
19 mass transit users or potential users in the
20 state.

21 These agencies across the country rank
22 all the way from those under strict political
23 control to those systems where private management
24 firm operates it under contract.

25 Thank you.

1 ASSEMBLYMAN ESPOSITO: Any questions from
2 the Committee?

3 ASSEMBLYMAN RYS: I have none.

4 ASSEMBLYMAN ESPOSITO: Assemblyman Dennis?

5 ASSEMBLYMAN DENNIS: Is this a state-wide
6 organization, 350 members?

7 MR. DUBROW: This is an organization that's
8 active not just in New Jersey, but elsewhere, we
9 have an active task force in New Jersey.

10 ASSEMBLYMAN ESPOSITO: Assemblyman Rys?

11 ASSEMBLYMAN RYS: I have nothing.

12 ASSEMBLYMAN ESPOSITO: Senator Buehler?

13 SENATOR BUEHLER: No questions.

14 ASSEMBLYMAN BURNS: No questions.

15 ASSEMBLYMAN ESPOSITO: Thank you.

16 MR. DUBROW: I thank you for the
17 opportunity of speaking.

18 ASSEMBLYMAN ESPOSITO: Michael Persons,
19 Automobile Club of Southern New Jersey.

20 MR. PERSONS: My name is Michael Persons,
21 I'm Director of Community Relations with the
22 Automobile Club of Southern New Jersey, American
23 Automobile Association.

24 My formal remarks began on page three of
25 the release before you, which was issued from my

1 office in November of last year, just after the
2 Systems Design Concepts report came out.

3 The Automobile Club of Southern New Jersey
4 opposes the Public Transportation Agency proposal
5 as outlined in the "Final Recommendation on
6 Organization and Finance of Public Transportation
7 in New Jersey" for the following reasons:

8 (1) The proposed agency simply creates
9 another layer of bureaucracy, in an attempt to
10 accomplish what the New Jersey Department of
11 Transportation is already empowered to do.

12 (2) Eliminating a retail tax and substituting
13 a wholesale tax does little more than deprive the
14 taxpayer/motorist of a Federal income tax
15 deduction. The New Jersey Legislature would
16 still be required to appropriate funds necessary
17 to operate the Public Transportation Agency.

18 (3) New Jersey already used 207 million
19 dollars from its 452 million dollars highway user
20 taxes for general government purposes. Most other
21 cities and states finance public mass
22 transportation systems with broad-based taxes.
23 So should New Jersey.

24 (4) The New Jersey motorists are again being
25 forced to finance public transportation systems

1 which 95 percent of them cannot possibly use.

2 There is no disputing the fact that help
3 is needed for New Jersey public transportation,
4 but fire extinguishers don't help a person who
5 is drowning. The key is to provide the specific
6 solution to the emergency at hand.

7 The Automobile Club recommends the follow-
8 ing set of proposals, to provide both state-wide
9 and regional approaches to the problem:

10 1. New Jersey should dedicate existing
11 highway user taxes for transportation, just as is
12 done in 28 other states.

13 2. A South Jersey public transportation
14 task force should be activated, funded by South
15 Jersey highway user taxes.

16 Southern New Jersey has been shortchanged
17 for decades in New Jersey legislative and
18 administrative matters. The current proposal by
19 the Department of Transportation simply continues
20 the imbalance.

21 It is unrealistic to equate North Jersey
22 and South Jersey's mass transportation plights,
23 because of Northern New Jersey's greater
24 population and smaller land area, an entirely
25 different set of circumstances exists there.

1 Southern New Jersey is only beginning to
2 approach the population density reached in the
3 northern sections more than a generation ago.
4 There is still an opportunity to solve the
5 transit problem in South Jersey if it is
6 approached as a Southern New Jersey regional matter.

7 Tossing it into the basket with Northern
8 New Jersey solves neither situation.

9 3. Public mass transportation in Southern
10 New Jersey should be assigned to an existing
11 entity, thus avoiding the creation of another
12 bureaucratic increment.

13 Specifically, the Automobile Club of
14 Southern New Jersey recommends that the Delaware
15 River Port Authority be assigned the mass
16 transportation function for South Jersey.

17 The reasons are obvious.

18 The DRPA has demonstrated expertise through
19 the operation of the PATCO line, which is an
20 acknowledged model for the nation's mass transit
21 systems.

22 The existing covenant of the Delaware River
23 Port Authority is crippling its operations by limiting
24 its mass transit options to fixed rail.
25

1 By allowing the DRPA to consider all modes
2 of mass transportation, and by giving it regional
3 rein, all of Southern New Jersey and its two
4 million plus residents will benefit.

5 In closing, I thank the Committee for this
6 opportunity to testify before them, and I
7 respectfully request that if any other hearings
8 are held on this matter, that consideration be
9 given to holding it in southern New Jersey.

10 SENATOR BUEHLER: No questions, thank you.

11 ASSEMBLYMAN RYS: No questions.

12 ASSEMBLYMAN ESPOSITO: Assemblyman Dennis?
13 Assemblyman Burns?

14 ASSEMBLYMAN BURNS: No.

15 ASSEMBLYMAN ESPOSITO: I thank you,
16 Mr. Persons.

17 MR. PERSONS: Thank you.

18 ASSEMBLYMAN ESPOSITO: Mr. Robert B.
19 Johnston, General Manager, Port Authority
20 Transit Corporation.

21 MR. JOHNSTON: Gentlemen, I do not have
22 a written statement, I will speak from notes.

23 My name is Robert Johnston, I'm the
24 General Manager of the Port Authority Transit
25 Corporation, which is a bi-state agency, wholly

1 owned subsidiary of the Delaware River Port
2 Authority.

3 First of all, the act which you are
4 considering has no direct impact upon DRPA or
5 PATCO, and so you might say well, why are we
6 interested. It does have an effect upon the
7 region in which we operate, and obviously, we
8 must be concerned about the economic use of the
9 resources that are dedicated to public
10 transportation, so we do have an interest.

11 For about the past year, I have had the
12 privilege of serving as a member of an advisory
13 committee to the New Jersey Department of
14 Transportation giving consideration to this
15 matter.

16 One of our speakers earlier commented that
17 he had been a member of an advisory panel, a
18 different one, by the way, on which I served,
19 and he said that they had little opportunity for
20 input. I can say that the one on which I served
21 had a substantial opportunity for input, very
22 lively discussions in which all parties didn't
23 always agree on all subjects.

24 However, I think we all agree that the
25 existing commuter operating agency is ineffective

1 and inefficient. The way your present subsidy
2 system is designed to function in this state,
3 serves to reward the inefficient and penalize the
4 efficient. There is little opportunity for public
5 input, and so I think we all agree that at this
6 point in time, this juncture in time, we do need
7 to act and create different legislation that
8 presently in on the books.

9 Now, the legislation that you now have
10 that you're considering is an attempt to rationalize
11 transportation within the state.

12 Contracts for services are aimed at, and
13 paying for them on a basis of standardized cost.
14 Now, that makes one heck of a lot of sense.

15 The present system whereby you merely look
16 at what are the total costs that some operator had
17 for running a particular service, and say, okay,
18 I'll pay you the difference between what you took
19 in in the fare box and what it actually cost you
20 is hopelessly inefficient, and so the concept of
21 establishing standardized costs is a far more
22 rational basis for operating this service or
23 subsidizing this service.

24 It also is intended to create incentives
25 for maximum efficiency in attraction of service

1 to the public, and presents penalties for
2 inefficiency.

3 One of the important areas that I highly
4 commend to you and has been commented before here
5 by others is the fact that this legislation puts
6 in a single body the matters of regulation of
7 transit and transit fares, and its administration.

8 One of the most ridiculous situations we
9 have right now in this state is the fact that the
10 PUC sits to govern in respect to the fares, while
11 New Jersey D.O.T., or if you create some other
12 agency that does not have that power in it, sits
13 using the funds that you have allocated to try
14 and operate the most efficient kind of a system
15 that they can, and there is only one way to pay
16 for transit service, it's going to have to come
17 from the public funds in some manner, it's going
18 to come out of the fare box, or it's going to
19 come out of the public taxpayers' money.

20 Now, I want to phrase this right with
21 respect to this matter of fares. There are very
22 few transit operations today that are operating
23 out of the fare box. We in PATCO are not, but
24 we're coming fairly close.

25 You have heard arguments presented for

1 stability in fares, and I think one of the
2 Councilmen from the City of -- well, where we
3 were last --

4 SENATOR BUEHLER: Jersey City.

5 MR. JOHNSTON: Jersey City was arguing
6 that the PUC rested as the final defense of the
7 user of transit service in respect to fares.

8 Well, gentlemen, I show you a curve in
9 respect to what's happened to fares and operating
10 costs of PATCO since 1969. That does not
11 constitute fare stability. It constitutes fare
12 starvation.

13 For what has happened is all of the
14 elements of cost, the things we have to buy to
15 produce the service have continued to rise in
16 cost and they have increased in grand total by
17 the consumer price index in the area, by 67 percent,
18 while fares have only risen by 37 percent.

19 Now, that constitutes not fare stability,
20 it constitutes a depression in the relative cost
21 of a ride as compared to what is being earned by
22 all the people in the community. No transit
23 system that I know of can survive on that kind of
24 a concept.

25 Another element that I would like to draw

1 your attention to, my friend Jack Gilhooley, and
2 some of the others here have commented about
3 public ownership and public operation, and the
4 gross inefficiencies.

5 That is the case in many areas, but I
6 remind you gentlemen, it need not be so, and I
7 suggest a very careful look at the Port Authority
8 Transit Corporation as an example of efficient
9 operation.

10 We began operations in 1969. By the year
11 of 1972, we had reached the point where we were
12 paying 100 percent of all operating and
13 maintenance costs from the fare box. We did it
14 in 1972, '73, '74.

15 In 1975, operating on this kind of a fare
16 situation that you see here, where the fares have
17 been locked down on a floor, we were still able
18 to pay 97 percent of our operating and maintenance
19 costs from the fare box.

20 In 1976, we paid 95 percent of our
21 operating and maintenance costs, and I'm talking
22 direct operating and maintenance costs, I'm not
23 considering capital costs. I'm talking direct
24 operating and maintenance costs, and we paid 95
25 percent out of the fare box, and I expect to be

1 able to operate or pay approximately 92 to 93
2 percent out of the fare box at our existing fare
3 levels in 1977.

4 The kind of operation that we have in
5 PATCO, it is publicly owned, it is publicly
6 operated, it is publicly managed, and that
7 facility has in its short life enabled it to
8 produce the highest level of productivity in the
9 transit industry in North America, with a total
10 work force of 280 persons.

11 We carry more passengers per day or on an
12 annualized basis, per year, per employee, than
13 any other transit system in North America, and I
14 suggest that that represents efficiency, and so
15 public ownership or public operation isn't
16 necessarily bad, and I ask you to give
17 consideration to that.

18 There is one other element I'd like to
19 call your attention to, and that deals with a
20 matter called 13C in the industry. Under the
21 Urban Mass Transportation Act, as amended,
22 currently on the books, requires that any transit
23 operator who is to achieve or receive any
24 Federal support of its operations must sign a
25 protective labor revision, as it is called in the

1 act, Section 13C, wherein if any employee of any
2 transit system, not even the transit system that's
3 receiving the funds, but any transit system that --
4 where an employee of some other transit system
5 can claim that they were injured by virtue of
6 this organization being able to operate effectively
7 and efficiently by virtue of these subsidies,
8 then the transit agency receiving the benefit has
9 got to pay for the costs continuing the payroll
10 of those people, even though they may not be
11 working, as the Secretary of Labor has put it, up
12 to six years.

13 I suggest that this is wrong. Progress
14 is regrettably in some cases made over the dead
15 bodies of the inefficient, and if it is necessary
16 that Ma and Pa Bus Company can't hack it, and has
17 to slide by the way, and if it is the public
18 policy then that those employees must be protected
19 for the rest of their lives or whatever, okay,
20 fine, that so be, all I say is that has got to be
21 a decision made in the legislative areas, and it
22 cannot be an albatross hung around the neck of
23 the transit operator, whether he be public or
24 private, who follows thereafter, for if transit
25 is going to be efficient, it has to be run as

1 near as possible as a good business operation.

2 By the way, we in PATCO support the
3 concept of private enterprise, we try very hard
4 to operate PATCO as if it were a private
5 enterprise in achieving maximum efficiency, and
6 so I suggest, gentlemen, you might wish to
7 consider that area in respect to your
8 legislation.

9 Finally, one last element, and that is if
10 you expect the public sector to be the receiver
11 of and ultimately have to operate only those
12 systems or lines that can't do it, by the private
13 means, that means that the public gets the losers,
14 if you want to call it, and you can't operate a
15 transit system on the basis of the public having
16 only the losers and none of the more efficient
17 lines, and I suggest then what needs to be done is
18 a more rational basis, if as in when public
19 operation does have to come, so that it does
20 include those areas which are more efficient as
21 well as some that are less efficient.

22 If you have any questions, I'll try to
23 respond.

24 ASSEMBLYMAN ESPOSITO: Senator Buehler, do
25 you have any questions?

1 SENATOR BUEHLER: Is there an incentive
2 program attached to PATCO?

3 MR. JOHNSTON: No, sir. There is not.
4 There is the incentive of trying to do the very
5 best job you can.

6 SENATOR BUEHLER: What did you do when
7 you trailed off in the last couple of years?

8 MR. JOHNSTON: How's that again, sir?

9 SENATOR BUEHLER: You trailed off in the
10 last couple of years, slightly.

11 MR. JOHNSTON: Our operating subsidy
12 comes solely from our parent corporation, the
13 Delaware River Port Authority, and they have
14 appropriated funds from the general funds of the
15 DRPA to make the difference.

16 Likewise, in those years, where we made
17 100 percent and had a modest margin beyond, we in
18 turn paid that margin over to the Delaware River
19 Port Authority, where it went into their general
20 funds, and so now at this point in time, they are
21 subsidizing us from their general funds for that
22 margin.

23 As I say, expect to pay about 92 to 93
24 percent out of the fare box this year.

25 SENATOR BUEHLER: Pretty good record.

1 What is your total business operation?

2 MR. JOHNSTON: We have no business
3 operation, it's a rail rapid transit on one
4 corridor, 14 1/2 miles in length.

5 By the way, we run 340 one-way train trips
6 a day on it and 24 hours a day and seven days a
7 week.

8 SENATOR BUEHLER: Why don't you come down
9 to the New York and Long Branch.

10 MR. JOHNSTON: Sorry, sir.

11 SENATOR BUEHLER: It's not funny. Thank
12 you.

13 ASSEMBLYMAN ESPOSITO: Any questions?

14 ASSEMBLYMAN DENNIS: Where does the train
15 run from?

16 MR. JOHNSTON: It runs from Lindenwold,
17 New Jersey to Philadelphia delivering in the
18 downtown area of Philadelphia.

19 ASSEMBLYMAN ESPOSITO: Mr. Johnston, your
20 fares, how much are they?

21 MR. JOHNSTON: The fare is on a zone
22 system ranging from 90 cents for the longest ride
23 to 40 cents for the shortest ride. There are a
24 total of five zones.

25 ASSEMBLYMAN ESPOSITO: You get 14 1/2 miles,

1 you get 90 cents?

2 MR. JOHNSTON: 90 cents for a 14 1/2 mile
3 ride.

4 ASSEMBLYMAN ESPOSITO: And you say that
5 that pays 95 percent of your operating expenses?

6 MR. JOHNSTON: Right now, we say this
7 year we expect it to be 92 and 93 percent, last
8 year we paid 95 percent from fares.

9 ASSEMBLYMAN ESPOSITO: What is the loss
10 at the end of the year?

11 MR. JOHNSTON: Last year was \$519,000.

12 MR. ESPOSITO: And how many trains did
13 that entail?

14 MR. JOHNSTON: Well, we have, as I say,
15 we run schedules right now, approximately 340 one-
16 way trips a day. Those trains are made up of a
17 fleet of cars, our total car fleet is only 75
18 cars, of which 69 are on line and in service
19 every a.m. and every p.m. rush hour of every day.

20 ASSEMBLYMAN ESPOSITO: Any questions?

21 ASSEMBLYMAN DENNIS: Are you competing
22 against busses also, someone mentioned earlier
23 about the trains and busses.

24 MR. JOHNSTON: Well, originally when we
25 designed the system, the Transport of New Jersey

1 was not inclined to wish to feed our stations, but
2 instead sought to compete directly against them.
3 Our running time is less than half the running
4 time by bus, and obviously, the results of that
5 were going to be people would come over to PATCO
6 service, and they did.

7 ASSEMBLYMAN DENNIS: My second question,
8 do you have busses?

9 MR. JOHNSTON: The State of New Jersey
10 did organize or reorganize the bus orientations
11 in South Jersey in cooperation with TNJ, and those
12 are now subsidized services by TNJ, supported by
13 the State, and they do touch bases in our
14 stations and bring people in, although the amount
15 that they bring in are relatively small, runs
16 about two percent of our ridership right now
17 because of the way those lines are set up, and
18 the frequency of service.

19 After all, when we are running trains at
20 a frequency in the rush hour of a train every two
21 minutes, and the bus service is on the order of
22 magnitude of every 15 minutes to 20 minutes, it
23 does not prove really attractive for many people
24 to use the bus, so therefore, I would expect that
25 kind of a situation.

1 ASSEMBLYMAN RYS: Mr. Johnston, would you
2 possibly know the amount of the subsidy that you
3 return?

4 MR. JOHNSTON: I'm sorry?

5 ASSEMBLYMAN RYS: The amount of subsidy
6 that you get from the Federal government?

7 MR. JOHNSTON: We get zero from the
8 Federal government, sir.

9 ASSEMBLYMAN RYS: Do you get any
10 subsidies from anybody?

11 MR. JOHNSON: Yes, our parent corporation.
12 As I said, our last year, our deficit made up
13 from our parent corporation was about \$519,000.

14 ASSEMBLYMAN ESPOSITO: Assemblyman Burns?

15 ASSEMBLYMAN BURNS: No questions.

16 ASSEMBLYMAN ESPOSITO: I thank you,
17 Mr. Johnston.

18 SENATOR BUEHLER: There is a storm coming.
19 Commissioner.

20 MR. SAGNER: I have worse news, 50 percent
21 chance of rain tomorrow. That's even worse news
22 than our getting wet tonight.

23 I want to thank you, Senator Buehler, and
24 members of the Joint Transportation Committee for
25 this chance for a very very brief summary. I will

1 make every effort not to be repetitive.

2 I'm very happy that I did follow Bob
3 Johnston, because he is relatively, very modest
4 in describing how well the PATCO system operates.
5 They are known throughout the country as one of
6 the most efficient, from the standpoint of
7 operation and economy of the public transportation
8 systems in the country.

9 There's too many people in New Jersey
10 don't know right here in New Jersey we have a
11 public agency that is operating at a high degree
12 of efficiency and a great level of service. We
13 hope in the D.O.T. to assist the Delaware River
14 Port Authority in their plans that are now being
15 developed to expand this service with the line
16 into north and south of the Camden area,
17 tremendous project which will cost between seven
18 and eight hundred million dollars in its entirety,
19 but it will provide a rapid rail service in that
20 area connecting the outlying and developing areas
21 with Camden and Philadelphia. The engineering
22 is now underway.

23 I think what Bob Johnson told you, though,
24 is something that I did want to say, that the
25 question of efficiency really has -- and cost

1 effectiveness really has no relationship to
2 private versus public ownership, because we have
3 an established private ownership pattern in the
4 bus industry in New Jersey, and because private
5 enterprise can be efficient, we are structuring our
6 plan to encourage that private enterprise and
7 hopefully continue in private enterprise, but I
8 think if we examine samples around the country,
9 we will find efficient public agencies and we'll
10 find very inefficient public agencies, and we'll
11 find very successful and well managed private
12 agencies and very poorly managed private agencies.

13 Among those that we subsidize now, we
14 have companies whose subsidy amounts to 10 to 15
15 percent of their operation. We have others where
16 their subsidy is 55 or 60 percent.

17 The point is not whether it's private or
18 public, but it depends upon the area in which it
19 operates, what kind of market it has, and upon
20 the quality of management, but the very point to
21 leave with you is that the intention of this bill
22 and the program proposed by this bill is not
23 intended, nor do we believe it will result in a
24 State takeover.

25 The whole purpose of the bill is standard

1 cost, the incentive program is to encourage
2 effective private management.

3 I'd like to quote several sections of the
4 bill. Section 2F permits the agency to operate
5 services as a last resort only, that is, and I'm
6 quoting, "Where no other private or public entity
7 is willing or able to provide such service."

8 Section 16 permits the agency to operate
9 substitute service under certain limited
10 conditions, that is where an existing carrier has
11 terminated service and remains unable and
12 unwilling to enter into a contract to provide the
13 service and where no private or public entity is
14 willing to provide such service.

15 I don't think there is anything in this
16 bill that could be substantiated to say that we
17 are endeavoring to stop the present profitable
18 private service or to unnecessarily expand the
19 subsidy program or the public role.

20 In fact, the legislation clearly states
21 that we are required to conduct a feasibility
22 study, regarding the elimination of certain
23 direct costs for all carriers, public and private,
24 subsidized and unsubsidized, tolls, taxes,
25 departure fees and licensing fees.

1 Regarding Section 16, substitute service,
2 when a carrier has terminated service, the agency
3 must solicit proposals from the industry to
4 provide substituted service.

5 As a further example of our effort to
6 assist private industry, Section 24 eliminates
7 the unworkable rate base concept on rate
8 regulations which is now the procedure followed by
9 the PUC, and requires regulation to rationalize
10 regulatory rate concepts, and one possible
11 alternate to the rate base concept is the
12 operating ratio concept.

13 Now, several people, including the speaker
14 at the hearing in Jersey City last week was
15 concerned about the merging of the PUC into this
16 agency, that the "protection" that the PUC gives
17 would be eliminated.

18 The powers of the PUC have been listed
19 verbatim from the PUC Act, the regulations and the
20 requirements to this legislation that you are
21 preparing, so that all the protection that the
22 operators had, and that the public had under the
23 PUC, will be incorporated in this bill and
24 recognizing that concern, however, we have
25 proposed an amendment which we presented in our

1 meeting before the Senate Transportation Committee
2 on Friday, and I would like to touch on it
3 briefly for the members of the Assembly who are
4 here this morning.

5 Recognizing the concern, and one that was
6 very well articulated by the fellow here, a
7 professor that represented the transit group, the
8 fellow from the transit group that spoke today,
9 Dubrow, a very good point, also one made by
10 Mr. Ressen (phonetic) in Jersey City, the
11 ability of the consumer to have the facts, the
12 time and the ability to appear at these hearings
13 and properly present and question the facts that
14 are being presented by the agency.

15 I discussed this with Stanley VanNess of
16 the Public Advocate Office, who is, under law,
17 when you in the Legislature established his office,
18 permitted to assess the regulated agencies in order
19 to finance his service to the public.

20 As we operate under the COA, we had no
21 power to provide such an assessment to him, and
22 therefore, at the hearings that we held or the
23 meetings that we held, he could not represent the
24 public. We discussed with him the advisability
25

1 and the feasibility of incorporating in this
2 legislation such power, and he was very eager to
3 do that, and we have proposed an amendment that
4 was accepted by the Senate Transportation Committee,
5 that a small percentage of our subsidy, with a
6 ceiling of \$100,000 be set aside as a sum to be
7 called upon by the Public Advocate so that he
8 could represent the public at any hearings, the
9 many hearings that we must go through as outlined
10 in the legislation that you have before you, on
11 the base service plan, on any changes in the
12 service plan.

13 The public could be represented by the
14 Public Advocate with no burden on the people
15 without the ability or expertise to present their
16 case, and we will provide to the Assembly
17 Committee, copies of that proposed amendment,
18 which the Senate has accepted, and we think that
19 goes a long way to erasing what we think is a very
20 serious problem, the public being properly
21 represented in this matter.

22 I do want to call your attention to the
23 fact that those people who have the greatest
24 expertise and the most objectivity have spoken
25 most favorably for this bill. I'm referring to

1 Mr. Tilley of the Bergen County Transportation
2 Board, Frank Reilly from Morris County
3 Transportation Board, Mr. Dubrow from the transit
4 group, the League of Women Voters, the Energy
5 Office, these people who are -- who don't have an
6 axe to grind, who are most concerned about
7 transportation, of course not unqualified, we
8 don't expect unqualified support, but on a broad
9 basis, these people have found this bill a great
10 improvement over what we have now and a tool that
11 we can do a better job.

12 One other point insofar as the counties
13 and the municipalities are concerned, number one,
14 we do not abrogate the right of a municipality or
15 a county for their oversights of the performance
16 of the program. That was a concern that was
17 expressed at the meeting in Jersey City.

18 Not only do we not abrogate that, but under
19 this act, we encourage, and in fact, have the
20 mechanism for helping to finance oversight at the
21 local level, on the key points of this bill.

22 Another concern is on the base service
23 plan and inclusion of all the present service,
24 that will be a product of using our criteria for
25 service as factored by the amount of money that

1 you vote for us.

2 The base service plan will be as expensive
3 as the present service out there, depending upon
4 the amount of money that we receive from our
5 appropriation, and more than that, that we cannot
6 do.

7 I want to conclude now so that you may
8 ask me any questions, by making two very quick
9 observations, one observation, really, that with
10 all the effort that you have put in and all the
11 effort that we have put in, I would hope that you
12 can find your way clear to ask any questions you
13 have, we're available at any time that we may get
14 this out committee and passed before you adjourn
15 this session.

16 I want to make a statement, I'm saying
17 most respectfully, I anticipate that you will have
18 a final hearing and all ready for signature a
19 casino gambling bill before you reach this, and
20 I think that there has been a great deal of
21 discussion and study and concern about that bill
22 which is very important and fraught with great
23 dangers and concerns for our state.

24 Certainly this bill that is being
25 considered today is equally important, but has a

1 much broader consideration, and public hearings
2 and reviews by responsible groups from the casino
3 bill, so if the Legislature is able in the time
4 remaining to finish up their work and vote on the
5 casino bill, I would say this most respectfully,
6 that you give the same attention of serious
7 concern to this bill so that we can have a better
8 tool in order to carry out the responsibility that
9 you have given us and the large sums of money that
10 you have voted for us, and having said that and
11 probably skipped a half a dozen things my staff
12 told me to bring to your attention, I'll be very
13 happy to answer any questions.

14 SENATOR BUEHLER: Commissioner, in the two
15 public hearings that I've attended, it appears to
16 me that the points of difference regarding bus
17 operators, Transport of New Jersey, as well as
18 independents, and the discussions between members
19 of the Joint Committee as well as members of your
20 department are narrowing down to some very basic
21 issues which may or may not be able to be resolved
22 very quickly.

23 It's apparent to all of us that the
24 widespread general feeling is that the agency
25 concept that is long overdue and is in the best

1 interest of transportation and to the citizens of
2 New Jersey. The question, however, on the difference
3 of opinion seems to rest, in my opinion, with
4 the ultimate State takeover that's lurking out
5 there, that's imminent, and that that great fear
6 lies in minds of those who are running this
7 service, the bus service for the State of New
8 Jersey.

9 I don't know whether you can allay those
10 fears, it's a responsibility of the Legislature
11 to get this legislation enacted and to get it done
12 as promptly as all of us feel that it should be
13 implemented.

14 How do we address ourselves publicly to
15 this question of the reality of the State taking
16 over?

17 MR. SAGNER: Well, Senator Buehler, we
18 have struggled with this constantly. As you know
19 when the consultant originally proposed this plan,
20 it was as a stage towards a State takeover, which
21 I personally, in our department, we have opposed
22 in concept. There are two very definite schools
23 of thought.

24 One is that we should leave it out of
25 this bill and face up to it at another time. That

1 might be the easy path for us to follow. We have
2 tried to propose and will now propose a compromise
3 for the following reason, if we leave it out,
4 which might be the easy way, and then we can get
5 the profit carriers and TNJ and others to give us
6 their unqualified support, I think we might be
7 missing a very important ingredient to the
8 success of the program.

9 If the carriers note that we have no
10 ultimate solution to the problem of their being
11 unable to carry on under the standard cost program,
12 they will not have the spur, the incentive, the
13 whip to try to make out, knowing that we will end
14 up having to buy them -- not buy them out, but to
15 continue to find a way by softening the standard
16 cost formula, by providing more incentive, by
17 being more lax for them to make it because we will
18 have no alternative.

19 If we have an alternative, we say here is
20 the standard cost system, either hack it or get
21 out, because we do have an ultimate weapon, we
22 have the ultimate weapon of taking you over and
23 having some qualified guy run you, if we can't
24 find a qualified guy, then we will get a manager
25 in there to run it. That's our weapon to make

1 people try to do it under the standard cost
2 formula.

3 If we don't have that, if the operators
4 can't perform under the standard cost, then our
5 only hope is either to abandon the service and
6 deprive the public or to sweeten the pot for them,
7 and so after much struggling with it, we have
8 come up with the idea of keeping as the final
9 solution, that power.

10 What we would like to propose, perhaps to
11 add some assurance and comfort, is that before
12 we can propose a takeover, that we must then go
13 to the Oversight Committee and get specific
14 approval from the Oversight Committee for any
15 takeover, and that would mean that, you know, the
16 composition of that, it's composed of a 12 man
17 legislative committee from both branches of the
18 legislature, and with minority legislation who
19 would have to approve of the takeover, which would
20 be a protection of our, perhaps, being responsible
21 in that area, which, Mr. Chairman, is my answer
22 to your question, which I agree is the key at this
23 point.

24 SENATOR BUEHLER: That compromise is
25 coming out today?

1 MR. SAGNER: We will have it in written
2 form for the staff of your committee Monday
3 morning.

4 SENATOR BUEHLER: I have no other questions.
5 Assemblyman Esposito?

6 ASSEMBLYMAN ESPOSITO: No questions.

7 SENATOR BUEHLER: Assemblyman Burns?

8 ASSEMBLYMAN BURNS: One quick question,
9 I'm very glad that Senator Buehler brought that
10 point up.

11 This bill seems to have turned into that
12 very thing, and it's almost referred to in our
13 chambers down in Trenton as the "State Takeover
14 Bill."

15 I know the part regarding takeover is very
16 small, and I know what the facts are.

17 You've got a situation, assuming we do go
18 through to the ultimate weapon and take over the
19 company, this is the thing I can't fathom.

20 Now, we have the turkey on our hands, an
21 unprofitable bus line, something that nobody else
22 wanted, we got it. How do we get the clout that
23 you said to go to someone and say you take this
24 over and manage it.

25 I don't conceive how they would take it

1 from us, because it's a dog, they wouldn't want it,
2 so we would ultimately now be in the bus business
3 in this one line.

4 This is the thing that people are afraid
5 of, then we would go into other lines and have
6 these very bad lines, be laying out money in
7 supporting unprofitable organizations.

8 Now, we find we've got this honus on our
9 back, how do we get out of it, if we don't really
10 want it and find a wrong way to go, how do we
11 get rid of five, six, eight bus lines? That's
12 a long question.

13 MR. SAGNER: I think it's a very good one,
14 Assemblyman, and that's why we want to share that
15 responsibility with the Legislature. You have to
16 define your terms, when you say a bad line, it
17 could be bad for two reasons, it could be bad
18 because of bad management, and we have examples
19 of that around the state, where the cost per hour
20 of operating a bus is out of proportion to the
21 industry average, it's just lousy management, they
22 don't know how to get productivity.

23 ASSEMBLY BURNS: Family situations?

24 MR. SAGNER: Many. Too many overloads,
25 no discipline on the job, laxity in other ways of

1 running the business. In that case we could get
2 a good managed company to take it over.

3 That's one of the definitions of a bad
4 line. That doesn't create the problem that you're
5 concerned about.

6 The other type of bad line is one where
7 no one, the most efficient, even Mr. Flateman,
8 couldn't run that line efficiently because of the
9 nature of the service out there. The county in
10 which we are considering this, has a situation
11 where quite a distance from the center of
12 population there is a pocket that needs service
13 in view of that community.

14 They are low income, if they didn't have
15 public transportation, they'd have to go on
16 welfare. There is a factory on the other side
17 of the town which can provide work for them, it's
18 in the overall interests of the State to transport
19 these people by public transportation from point A
20 to point B, because on the total balance sheet, it
21 will make sense for the State, but there is no way
22 out of the fare box, that that line can ever come
23 anywhere near operation, because maybe it will
24 only have two trips a day and you've got to
25 maintain the equipment all that time and you've

1 got bus drivers standing around, so a decision
2 has to be made, are they going to continue to
3 supply that service or not, and if we can't get a
4 company to take it over, maybe we will have to put
5 a manager in there to do it.

6 We won't make that decision unilaterally,
7 we will make that decision with the county and we
8 will make that decision with a 12 man Oversight
9 Committee, and we will lay all these facts out
10 before you and we will say here's the picture,
11 here are all these figures, here are 200, 300
12 wage earners in the area, low income people, there
13 are jobs over here, it might be farm labor, it
14 might be low income factory workers, is it in the
15 best interests of the State to pay 175 or 200
16 percent of the costs of providing that service to
17 keep these people off welfare, and we will make
18 that decision after we have given you the facts
19 and you have reviewed them.

20 ASSEMBLYMAN BURNS: That situation, do we
21 also have to treat the best service --

22 MR. SAGNER: We might decide to provide
23 van service, we will give you the alternatives.
24 It might be cheaper for the State to buy eight or
25 ten vans and have the company operate the vans,

1 and we will have to give you those alternatives,
2 but it won't be a decision made by some bureaucrat,
3 as Mr. Gilhooley said, it will be at a public
4 hearing, the Public Defender will have a say in it,
5 the ultimate decision will be made by you who have
6 to vote the money.

7 I think it's not an easy problem, it's not
8 there is no easy answer, but I think it's a
9 rational and sensible approach to a problem.

10 ASSEMBLYMAN BURNS: As I understand you
11 to say to Senator Buehler, if you could back out
12 of the program or the bill, those takeover sections,
13 you do have something like that in the works?

14 MR. SAGNER: We have.

15 ASSEMBLYMAN BURNS: Not yet workable?

16 MR. SAGNER: We have an amendment that we
17 are going to present to you on Monday that before
18 we can take over, right now it says that the State,
19 where a line cannot perform under the standard
20 cost, and we cannot get another carrier to take
21 it over, that the State may acquire and operate.

22 We want to add to that paragraph that
23 before the State can acquire and/or operate, it
24 must submit its plan to the Oversight Committee
25 and get their approval. That's an amendment that

1 we are proposing to you today, and we think that
2 should answer the concerns that have been
3 expressed by that.

4 SENATOR BUEHLER: Your staff has been
5 working overtime, Commissioner, and they have the
6 amendment with them today?

7 MR. SAGNER: We will give you copies
8 before you leave tonight.

9 SENATOR BUEHLER: Assemblyman Dennis?

10 ASSEMBLYMAN DENNIS: Yes. Mr. Chairman,
11 say you got an X company paying a bus driver, the
12 workers \$5, another company is paying them \$10,
13 the workers get wind of this and they say well,
14 we're not going to work any more, and they are
15 afraid the State is going to take over, and you
16 know there have been bills in the Legislature
17 now for the State to take over, all the bus lines
18 are going to say let the State take over, they
19 are going to get \$10, \$11.

20 Do you foresee this?

21 MR. SAGNER: That's a very deep question,
22 and it gets to the heart of people talking about
23 public versus private as who can be a better
24 business manager.

25 In the area of wages, we have private

1 companies out there that are all over the lot in
2 wages. For example, TNJ, which is the largest
3 private operator in this state, has the most
4 liberal wage policy in every respect of any
5 carrier in this state, in the country insofar as
6 cost of living agreements are available.

7 That was agreed upon, not by some public
8 agency run by some bureaucrat, but by private
9 enterprise with the smartest and highest paid
10 managers in the company, and they agreed to a 100
11 percent cost of living agreement.

12 Because it's the State dealing with an
13 agency doesn't mean that they have to provide
14 unconscionable increases.

15 The question that is parallel to yours
16 as to how do you recognize the fact there are
17 different wage rates around the state, what the
18 standard cost formula proposes is that wages will
19 rise in percentage that wages go up around the
20 country, but they won't, but that amount will be
21 added, not the percentage, so if there is, say,
22 a five percent increase in wages, the five
23 percent of the average wage will be the maximum
24 amount that you will recognize as a reimbursable
25 cost, which will tend to, over a period of time,

1 equalize the discrepancy in the wages of the bus
2 companies.

3 I don't know if I've made that clear, it's
4 a very complicated point, but it's a very important
5 point. Did I make it clear?

6 ASSEMBLYMAN RYS: You did.

7 ASSEMBLYMAN DENNIS: My own personal
8 opinion from hearing the people yesterday and
9 today, as others, the intent of the bill is very
10 good, the big hang up is the State takeover, and
11 that's my own personal problem, too, and of course
12 there are a great deal of amendments which we are
13 going to be working on for the next few weeks.

14 MR. SAGNER: I think the amendment that
15 we will leave with you tonight should satisfy you
16 on that score.

17 ASSEMBLYMAN RYS: Do you have the copy of
18 that amendment?

19 MR. SAGNER: Yes, yes, we will leave that
20 with you.

21 ASSEMBLYMAN RYS: I have no other
22 questions. I want to read the amendment first.

23 MR. SAGNER: In your consideration, don't
24 lose sight of the fact of the impotency that we
25 will have if we don't have some threat to a company,

1 to make certain that they do try and live within
2 the standard cost, because if we have no solution
3 to their failure to live within it, then they
4 will be pressuring us to sweeten the pot all the
5 time, because it will have no where else to go.

6 I think we need, this was a very heavy
7 debate in our office for many many hours, we knew
8 we'd have a lot clearer sledding if we took that
9 out. The easy way isn't always the best way.

10 SENATOR BUEHLER: What you're saying in
11 effect, Commissioner, is the buck stops here.

12 MR. SAGNER: There.

13 SENATOR BUEHLER: That's what I mean.

14 MR. SAGNER: You've got to make that
15 decision. It would be very easy for me to say
16 give me a half a loaf and we'll run with it, but
17 while we're going through this, we want to make
18 the effort for you to give us what we think is the
19 best bill for us to do the job, and the TNJ and
20 the private people are not going to get up and
21 applaud you and those people who don't understand
22 the bill and go around talking about a State
23 takeover bill, which the very fine Bergen Record
24 calls it, without careful understanding of the
25 bill, the fellow here from the South Jersey

1 Automobile Association is quoting from the
2 preliminary report of the consultant, hasn't even
3 read the damn bill, so you've been around long
4 enough to know that there is always a lot of
5 misconceptions about public issues, and there are
6 a lot of misconceptions about this, but you've
7 heard all the facts and have access to them.

8 SENATOR BUEHLER: Commissioner, there are
9 two phrases that have been going around, one this
10 morning, represented, we were rushing to judgment,
11 and the other one made in another authoritative
12 source that said we were sitting on a time bomb,
13 so between the rush to judgment and the time bomb,
14 has there been sufficient input in your office in
15 regard to this formula in terms of making sure
16 that the communications are going across the
17 state as to what the formula's all about?

18 MR. SAGNER: We think so, Mr. Chairman.
19 We also say that the bill can always be amended,
20 the regulations can be changed, there has to be a
21 beginning, and this represents a tremendous amount
22 of work.

23 We could continue to talk about it, and
24 have experts come in or people with their own
25 interests, and if you separate the wheat from the

1 chaff, out of every one of those discussions, there
2 will be some concern always of benefit and good
3 things that we could include, but I go back to
4 the, you know, the analogy of the war time, if we
5 would have stayed in World War II waiting until
6 we had the ultimate airplane designed, we would
7 still be flying the very first bombers that we
8 had.

9 If we had to make a decision to go ahead
10 with something, knowing that in the drafting room
11 there is a better design, and I know very well if
12 we delay on this bill and delay for months, we
13 will have some better ideas, but the war is going
14 on and we have to have a weapon to fight with.

15 Nothing wrong with our going ahead with
16 this bill, with these regulations and then through
17 the process that's available to us, make the
18 improvement as they become apparent.

19 I'm sure there are some that nobody has
20 thought about.

21 SENATOR BUEHLER: I used that war time
22 line on you once, and you threw it back at me. I
23 said during the war, if we had to build a bridge
24 in 24 hours, you said this wasn't war.

25 MR. SAGNER: You have a prefabricated

1 bridge.

2 ASSEMBLYMAN BURNS: Commissioner, what
3 you're saying is what we do, we can undo.

4 MR. SAGNER: Exactly, sir.

5 SENATOR BUEHLER: We want to do what's
6 best and right.

7 MR. SAGNER: I think Byrne said that we
8 do it, if we find that we have made an error, we
9 can correct it. We're not going to know until we
10 try this. I would never give you a guaranty that
11 it's going to work perfectly. We know damn well
12 what we have doesn't work.

13 SENATOR BUEHLER: I think it's incumbent
14 upon me as the Chairman of the Senate, I'm sure
15 Mr. Esposito has a closing comment to make, we
16 do have another witness, this is the final
17 witness. I would like to say that, number one,
18 the urgency with which the Commissioner has
19 reported this issue, publicly and to the members
20 of the Legislature is real.

21 We would assume that you're talking about
22 the Legislature taking some initiatives prior to
23 July 1, is that correct, Commissioner?

24 MR. SAGNER: Yes, sir.

25 SENATOR BUEHLER: So that --

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

ASSEMBLYMAN DENNIS: Would you say July 1?

MR. SAGNER: Before the end of this session.

ASSEMBLYMAN DENNIS: By the end of this session, you're saying July 1?

MR. SAGNER: By the end of this session.

ASSEMBLYMAN DENNIS: July 1st?

MR. SAGNER: By the end of May.

ASSEMBLYMAN DENNIS: Because the end of the session, I thought you meant May 2nd or 9th, I'm sorry to interrupt you, July 1st, I wanted to clarify.

MR. SAGNER: We're talking about the fiscal year, really what we're concerned about is action before the current recess.

SENATOR BUEHLER: You know that the Legislature will be coming back after the June 7 primary.

MR. SAGNER: I would respectfully, say, Mr. Chairman, that we should make every effort to get this matter resolved before the end of this month.

SENATOR BUEHLER: Thank you, Commissioner. Assemblyman?

ASSEMBLYMAN ESPOSITO: I just got the

1 amendments now, this was worked out between the
2 Department of Transportation and the TNJ counsel,
3 David Goldberg.

4 I haven't had time to study the amendments,
5 but the only thing I'm concerned about, that
6 there should be some safeguards of private
7 carriers in that bill on State takeover.

8 I think the primary concern of everybody
9 in the State of New Jersey is that they are
10 against any State takeover, they feel that the
11 State of New Jersey should regulate, should fund,
12 give financing, but they should not operate the
13 busses in the State of New Jersey.

14 The public feels that it's going to cost
15 us twice as much in the end. If this is a bill
16 that's satisfactory to the operators, and it's
17 satisfactory to TNJ, I'll go along with the
18 amendment, but I got to tell you --

19 MR. SAGNER: For the record,
20 Mr. Chairman, I'd like to point out to you that
21 there is a misconception about it costing twice
22 as much, and I'm not advocating a State takeover,
23 but you shouldn't run from a phantom, if there
24 is something real after you, run like hell, but
25 don't run from a phantom or a boogey man that

1 somebody has thrown out that just doesn't exist.

2 Now, I have figures from American Public
3 Transit Association, the same figures that
4 Mr. Gilhooley quoted from before, only he didn't
5 show you all the charts, and I want to show you
6 that based on their figures, the cost of
7 operation of per vehicle hour for Transport of
8 New Jersey, this is 1976 -- 1975, was about \$21
9 per hour.

10 The cost in Cincinnati is \$18.50 per
11 hour, the cost in Atlanta is \$17 an hour,
12 Baltimore, \$14 an hour, and if you look at the
13 chart, and I'll make these available to you, all
14 of the costs have gone up on almost identical
15 lines.

16 This is the only private carrier, these
17 are all public carriers, and they've all gone up
18 except Baltimore went up at a slower curve, but
19 the other carriers went up on approximately the
20 same curve.

21 The cost of public takeover only is --
22 the deficits are only higher in those cases where
23 the public bodies, where the Legislature has
24 decided that they want to provide more service,
25 and therefore, have a greater deficit, but when

1 you apply the honest criteria of cost per
2 passenger carrier, or the cost per mile run, or
3 the cost per bus hour, I defy Mr. Gilhooley or
4 Mr. Flateman or anyone else to show me where
5 public operation in areas of comparable labor
6 costs and taxes and everything else is greater
7 under private ownership or public ownership.

8 There are two other advantages of private
9 ownership which we respect and we would like to
10 keep, if it's possible, in New Jersey, but it is
11 not the phantom, it's not the thing that should
12 frighten us into throwing away what I think is a
13 very important tool.

14 If we don't have the possibility of public
15 takeover, which is a very important element in
16 forcing the companies to work within the standard
17 costs. We have nothing to threaten them with,
18 we have no fall back in the event that they don't
19 make an effort to perform.

20 SENATOR BUEHLER: Thank you, Commissioner.

21 MR. SAGNER: Thank you very much,
22 gentlemen.

23 SENATOR BUEHLER: The hearing is over.
24
25

1 (The following statement by Lee Jenney,
2 Transportation Planner, City of East Orange,
3 County of Essex, New Jersey, on the proposed
4 Transportation Improvement Act of 1977 is to be
5 made part of the record, although not presented
6 orally at the public hearing:
7

8 My name is Lee Jenney and I am Transporta-
9 tion Planner for the City of East Orange, Essex
10 County, New Jersey. I am also Chairman of the
11 Essex County Transportation Planning Council, but
12 am speaking today as a representative of a
13 municipality located in eastern Essex County and
14 containing a population of decreasing household
15 income and increasing dependance on public
16 transportation.

17 We do not have a previously prepared state-
18 ment for submission today since we were unable to
19 obtain a copy of the proposed Public Transportation
20 Improvement Act of 1977 until yesterday afternoon,
21 and feel that overnight review is not sufficient
22 for preparation of a thoughtful, comprehensive
23 response. This testimony has been prepared during
24 the course of today's hearing.

25 However, in light of the broad and

1 sweeping powers the legislation proposes to
2 confer upon the Agency for Public Transportation
3 and the effect use of those powers is likely to have
4 upon the mobility of our population and the
5 capacity of our budget, we feel compelled to
6 state some of our concerns.

7 First, let me assure you that we agree
8 completely with the concepts upon which the
9 legislation is based - that the provision of
10 efficient, coordinated and responsive public
11 transportation is an essential public purpose and
12 that a single State agency for public
13 transportation should be created.

14 We urge that the legislature address
15 itself to creation of this agency with all possible
16 speed, but we also urge that attention be given to
17 the following concerns and that this attention be
18 reflected in any enabling legislation:

19 1. Provision for preparation of a
20 comprehensive State master plan for public
21 transportation prior to establishment of the Base
22 Public Transportation Service Plan should be made,
23 which provision should include assurances of the
24 opportunity for meaningful public participation;

25 2. Re-allocation of the priorities

1 listed as criteria for a base level of service
2 should be made to reflect the primary importance
3 of social, economic and environmental needs;

4 3. A description of the proposed
5 relationship between transit and paratransit
6 services should be included, to reflect concern
7 with the escalating costs of paratransit and its
8 sometimes strong negative effect on transit
9 viability;

10 4. Inclusion of a mechanism for implement-
11 ing an effective marketing and public relations
12 program to support and encourage increased use
13 of public transportation should be considered;

14 5. The present inability of many local
15 units of government to provide financial support
16 for those public transportation services required
17 to serve the needs of their unique constituencies
18 from existing revenue sources should be considered.

19 Further comments on the proposed Public
20 Transportation Improvement Act of 1977 will be
21 prepared within the next few days, upon our careful
22 review of the legislation, and these comments will
23 be forwarded to Senator Buehler and Assemblyman
24 Esposito at that time.

25 (Whereupon, the hearing was adjourned.)

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

C E R T I F I C A T E

I, Karen Hansen Geisler, C.S.R.
a Shorthand Reporter of the State of New Jersey,
do hereby state that the foregoing is a true
and accurate transcript of my stenographic notes
of the within proceedings, to the best of my
ability.

Karen Geisler

