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PUBLIC HEARING

before

ASSEMBLY SUBCOMMITTEE ON THE PRIVATIZATION
OF THE DIVISION OF MOTOR VEHICLES

Testimony Concerning the Privatization of the Functions
Performed by Motor Vehicle Agencies

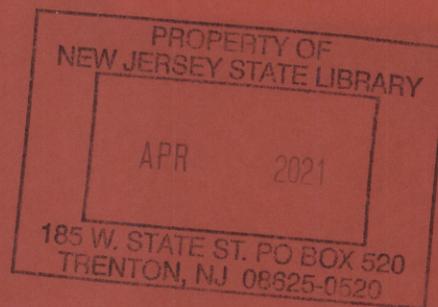
August 21, 1987
Room 341
State House Annex
Trenton, New Jersey

MEMBERS OF SUBCOMMITTEE PRESENT:

Assemblyman Robert W. Singer, Chairman
Assemblyman Thomas P. Foy

ALSO PRESENT:

Aggie Szilagyi
Office of Legislative Services
Aide, Subcommittee on the Privatization
of DMV



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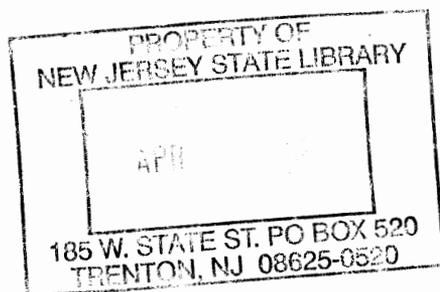
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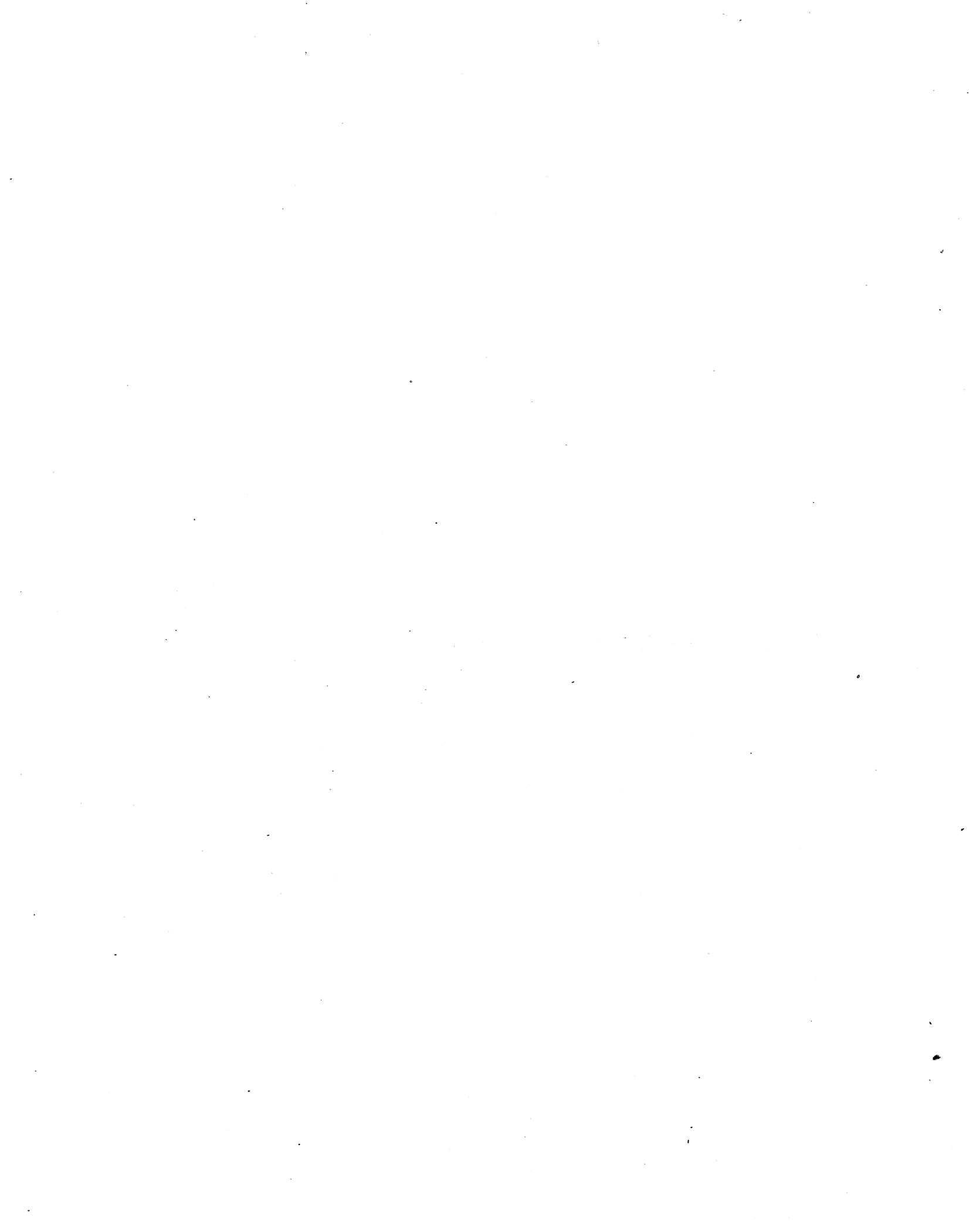
Glenn R. Paulsen
Director
Division of Motor Vehicles
New Jersey Department of
Law and Public Safety

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ASSEMBLYMAN ROBERT W. SINGER (Chairman): Good morning everyone. Thank you for all coming this morning. Glenn, if you'd be so kind.

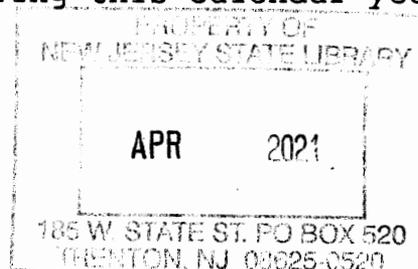
G L E N N R. P A U L S E N: Sure Assemblyman. Good morning.

ASSEMBLYMAN SINGER: Good morning. I appreciate you taking time out of your busy schedule to be here with us today.

MR. PAULSEN: It's a pleasure to be here.

ASSEMBLYMAN SINGER: The purpose of the public hearing today is to receive testimony from Director Paulsen on comparing the cost and functions of motor vehicle agencies which are operated by the State, and those that are operated by private industry. I don't have anyone else who'd like to testify other than the Director. Is there anyone else who would want to say anything? Please just let me know. Glenn?

MR. PAULSEN: Assemblyman, I am here primarily to respond to whatever questions that you may have concerning our efforts in the agency system. We submitted to you, albeit late -- I apologize for getting to you late -- a cover letter with a number of attachments which set forth, we think, some basic information about the agency systems, a fairly extensive summary that's been made by our planning group of motor vehicle operations and how they run in other States. A document that has been generated through our intensive planning process, which contains our best current thinking along a model agency system from the standpoint of facilities, from the standpoint of what functions need to be done there. And also, some backup documentation you had requested concerning the private agents contract that we have negotiated and implemented during this calendar year, including a sample of the private agents' contract. We have also provided you with a computer printout that is our best effort to compare the estimated costs for running the comparable systems during this calendar year.



So, I'm prepared to respond to any inquiries that you might have with respect to this, and to any inquiries that you might have or that will help you in your investigation of this matter.

ASSEMBLYMAN SINGER: Director, would you please begin with a brief overview of the chart entitled "The Current Estimated Annual Cost to Maintain Services at 54 Motor Vehicle Agencies"?

MR. PAULSEN: Yes. There are currently 28 private agents. We have 21 full-service agencies run by the State, and in addition we have 4 dealer only agencies run by the State. And there's 1 agency that is run by county in the County of Atlantic, and that being the Northfield agency.

The spread sheet that we have submitted to you attempts to break out the State-operated agencies and the private agent operating agencies and set forth a cost comparison. Basically, the key areas to focus in on are salaries on the State side, and salaries plus overtime, which would be in B and C columns. And on the agents side, the commissions. I've broken out the commissions in three different ways, because the agents have the flexibility to make -- or the potential to make -- different sums predicated upon their performance. That is, if they achieve 90% of their 1986 volumes, the transaction rate that we have plugged in for each of the agents would provide them with the ability to make in the range of \$40,000 for themselves and also pay for staffing levels which we have dictated in the contract.

If they do 100%, they are in a position to make some bonus compensation. And then if they do 115%, which is your column F, that would reflect the maximum compensation that would be paid, because we've capped the private agents' compensation under the new contract at 115% of 1986 transaction levels, primarily for the reason that, as you are well aware, Assemblyman, historically our agencies have done only about

four or five basic functions. We are looking to take additional services to the people in the State in the places that are convenient to them -- the places where they live and work. And we are hopeful of adding functionality through the rest of this year, and through next year at agencies which could significantly impact on the transaction levels.

For instance, we just recently placed the issuance of counties and municipal plates back out at the agencies. For a number of years in recent past that has been done only in Trenton. We've now placed that service back out. And although that's not a big transaction item, it will have an impact on transactions that are done in agencies. We hope to put the surrender of license plates at the private agencies, which could have a tremendous impact in terms of volume as well. So that we felt that a cap of 115% is appropriate because of the state of flux in terms of the transaction levels that we can expect. In addition, we believe that that amount will, under the contract, yield a commission that the agent could take home in the range of 60 or 65 thousand dollars. So that's why we had broken out D, E, and F on your columns separately.

ASSEMBLYMAN SINGER: Director, what is the difference between the base salary column for public agencies, and the agencies' commission column for the private agencies?

MR. PAULSEN: The agents commission. We have a supervisor at the State-run agencies who receives a salary plus overtime. The agent, again, works on a transaction and commission basis.

ASSEMBLYMAN SINGER: Specifically, what is--

MR. PAULSEN: And in large measure, the staffing levels, although not exactly in concert between the State-run agencies and the private-run agencies, have been brought in line as well as the salary levels that the employees at the State-run agencies and the private-run agencies will command.

ASSEMBLYMAN SINGER: What transaction levels were used to determine the maximum agent's commission level used to determine the total annual cost of operation?

MR. PAULSEN: Run that one by me again.

ASSEMBLYMAN SINGER: I don't know if you have this sheet that you gave us on--

MR. PAULSEN: Part of the press release. Yeah, I'm looking at it. The 1986 actual column? Is that what you're referring to, the third column?

ASSEMBLYMAN SINGER: Yes.

MR. PAULSEN: Those are the actual transaction levels for calendar year 1986. Then what we did in the next column was group the agencies by the sizes that we thought made sense, and take an average of those and predicate the transaction rate on the average.

ASSEMBLYMAN SINGER: See, the document we received on the date of the 26th does not seem to be the same as the one we received with this. I don't see it the same. We can't figure it out. That's what part of our problem is.

MR. PAULSEN: I think I can answer that. On the agents' side, the column that we used there on annual items is the grouping that we placed them in or the actual -- what's the actual. Take a look at Bakers Basin, 258045, -- 258045 on items. Take another example, Bergenfield -- 194229; that's the same. Berlin -- exactly the same so far for the first three. Oh, excuse me. Let me see what-- (confers with assistant in audience)

I'm sorry, Assemblyman, you have dollar figures. You don't have transaction levels. I apologize. But you do have the transaction levels in those columns on the sheet that Bev just showed you.

ASSEMBLYMAN SINGER: That's why we have a little confusion being able to decipher what we're working with. When you were saying that, we were a little bit confused, because we're not looking at the same thing.

MR. PAULSEN: Yeah, if you take-- Right.

ASSEMBLYMAN SINGER: All right. Can we get those other documents?

MR. PAULSEN: Well, if you take the 1986 actual, in the column that you have in your right hand, those are the transaction levels.

ASSEMBLYMAN SINGER: Okay.

MR. PAULSEN: We then grouped the agencies according to the groups that you see there, and predicated the base rate on the average transaction levels within those groups.

ASSEMBLYMAN SINGER: Okay. That clarifies that. I appreciate that. Can you also explain to me what agency costs are covered by the agent's commission reimbursement?

MR. PAULSEN: You're going to cover your-- I think that would also be explained in-- It's addressed pretty well in the press release, in the background information we gave there. It would be the salary levels for the prescribed number of employees plus an amount sufficient to cover the basic overhead for the benefits that we're requiring, plus additional part-time help, plus overtime. And money for the agent. It's basically compensation money is what we're talking about.

ASSEMBLYMAN SINGER: See, where we're concerned is, and what's not clear on the charts, is that if the agents must use their commissions for functions that are provided by the State in the public agencies, in other words, they're not having enough to cover that.

MR. PAULSEN: For example -- I'm not--

ASSEMBLYMAN SINGER: In other words, what is important to determine is why is the agents' commission so much higher than the base salary level? Is that used to offset some of the expenses that they might incur above the base salary?

MR. PAULSEN: Sure.

ASSEMBLYMAN SINGER: And they are using it for that basis.

MR. PAULSEN: Sure. And for their own compensation, yes. Now, in the agreement, we provide the facility and we provide the furniture, the burglar alarm, and all the equipment that's necessary, basically, to do the job. So that's not in there. What you're basically talking about are costs associated with salary for staff, commission for the private agent, and those overhead items that are traditionally associated with salary cost.

ASSEMBLYMAN SINGER: Can you possibly, for us, just explain your feeling of what the major difference is between the State funding and the public/private agencies? Do you see any major differences?

MR. PAULSEN: The associated costs are roughly comparable; it's slightly more expensive to run a State-run agency. Presently, I think in the press at least we indicated if you did it on a transaction basis, it's \$1.37 a transaction, roughly for State-run systems, as opposed to \$1.34 for the private agents. But that all, again, turns on volumes and volumes, and can change.

So the costs are, at this point as a result of the new contract, with the private agents are roughly comparable. They weren't before. I think the average transaction of cost is about 97¢ with the private agents, until we negotiated this contract, which is retroactive to January 1. But the purpose of the contract was to put the agents in a position so that they could provide the same level of services. Under the old contract that we afforded the private agents, there was a decreasing scale of compensation which had in it a disincentive for appropriate staffing and appropriate compensation which runs counter to recruiting the kind of professional staff that we think is necessary to provide consumer sensitive services. The agents now have that capability because the funding is being provided to them, and on the other hand they are being required to staff at appropriate levels and pay salaries

commensurate, that we think will attract the kind of people that are necessary to do the job.

ASSEMBLYMAN SINGER: So, you are requiring them to -- their salary ranges are also part of your contract?

MR. PAULSEN: Yes, sir.

ASSEMBLYMAN SINGER: How do the salary levels compare to the salaries for the same time last year? Have they gone up considerably?

MR. PAULSEN: You're talking purely private-private, for comparing?

ASSEMBLYMAN SINGER: Private.

MR. PAULSEN: Yes. We don't have-- We now, because of the reporting mechanism set up under the new contract, are able to monitor them. We don't have -- have not in the past had good ability to monitor what was actually paid. But I think it's a fair statement to say that there was a lot of turnover at private agencies associated with -- under the old contract I'm talking about now -- attempting to obtain employees who were either part-timers or people who would work for close to minimum wage. That's not in any way intended to be a knock on the private agents. On the contrary, we put them in a position where, in order for them to make any kind of commission for themselves, they would have to operate in that kind of mode. So we know that there has been some additional improvement in turnover as a result of the new contract being put in place, but the morale of the employees is better, and the caliber of employees that they are now able to recruit is much much better.

The common complaint we heard from the private agents under the old contract was that their employees would want to migrate to State agencies where they could do the same job and obtain a salary at a much higher level. That's been put to rest under the new contract that the agents have, because they are staffing at similar levels and paying similar compensation.

ASSEMBLYMAN SINGER: What about benefits?

MR. PAULSEN: Same.

ASSEMBLYMAN SINGER: Same? In other words, on the profit agencies vacation--

MR. PAULSEN: I don't know if they're quite-- I don't know if they're exactly the same as-- Under the new contract, we require the private agents to supply health benefits to their employees. At the time that that went into effect, we were not affording that to the State-run employees. As a result to a pilot project recently approved by the Department of Personnel under their new act, our State-run employees have recently obtained health benefits, and I believe also pension benefits.

ASSEMBLYMAN SINGER: So, in other words, it's almost equal today from the public?

MR. PAULSEN: Yeah. Probably the State-run benefits are a little bit better. But basic health benefits are being provided to employees at the private agencies as a result of the new contract.

ASSEMBLYMAN SINGER: Can you think of any costs aside from what we have already discussed that must be absorbed by the agents who are not included in cost projections by the DMV in running the 25 public agencies?

MR. PAULSEN: Assemblyman, I'm in frequent contact with the private agents, both in terms of negotiating this contract-- I'll tell you a cost that was attendant to their obtaining a new contract was the cost that their negotiating committee incurred in terms of their own time in hammering out the arrangement. I know I was on the other side of that, and we spent a lot of time through the summer and last fall, and if you say time is money, they spent a lot of money negotiating what we think is a -- and negotiating in a hard but fair way -- a contract that we think is equitable for both sides.

I think that we frequently hear from the private agents that they incur some additional expenses. The one they typically refer to are county expenses that they need to incur to comply with our requirements, and also to comply with their needs for IRS purposes and other internal bookkeeping purposes. There probably are, maybe, a couple of others, but that's the major item that we hear -- the county.

ASSEMBLYMAN SINGER: How does the State monitor the agents?

MR. PAULSEN: We have a couple of methods. I have an internal auditing that reports periodically on all the agencies State-run, in terms of compliance of normal internal control procedures and security. In addition, we have a few representatives -- we have about one for every two agencies -- who are charged with the responsibility of monitoring contract compliance on the private agents' side; and on the State-run side, operations. But their job is much bigger than that. Their job is to also assist the agents in terms of getting the materials that they need to do their job, getting the training that they need to do their job, solving problems that crop up and crop up on a daily basis in our agency system. Helping, as we want to put new procedures in place.

For instance, this July we implemented Boat Titling Act that had been on the books for a couple of years, that had not been implemented. That took a lot of work for us in Trenton, essentially in terms of devising the procedures, making the system changes necessary on the computer system, and then getting those procedures to those field operations. The primary responsibility for that job is through our field system, and field representatives and their supervision. So they're there -- the field reps -- not just to monitor performance, but to provide assistance so that we can provide better service for the public.

In addition, this it spells out in the private agents' contract the number of documents that need to be submitted to

us on a quarterly basis so that we can monitor expenditures, and ascertain whether or not the appropriate payroll is being maintained, appropriate vacancy level is being maintained, and the appropriate dollars are being paid to staff.

ASSEMBLYMAN SINGER: Are the procedures the same for both -- monitoring -- for both public and private agencies?

MR. PAULSEN: I can't be exact. They're not exactly the same. On the State side we're more interested in security, just the security of dollars and operations, than on the private agents' side-- And the new contract is complex. And again, it's our first crack at it. If we have to do it again, we'll perhaps be better at it. But there is a lot more work that has to be done on the State side, in terms of implementing this contract. I know our people in our fiscal end have been dealing with the agents on a daily basis to make sure that we can implement this contract, and take care of the specific problems, and get the data that we need from them so that we could turn the faucet on for additional dollars.

We probably worked -- but perhaps that's a function of Glenn speaking rather selfishly, because I've been involved very heavily in the private agents, and with regard to the new contract -- but it's been a very time-consuming process, changing this system to what we presently have. And we've spent a lot of time and effort both on the agents' side and on the Division side, in terms of getting this new contract negotiated and implemented and monitored.

ASSEMBLYMAN SINGER: We had the private agencies in at the last hearing.

MR. PAULSEN: Yes, sir.

ASSEMBLYMAN SINGER: They told us they're responsible for all shortages, and if they're short, it comes out of their pocket. Who's responsible for shortages in the State agencies?

MR. PAULSEN: The State.

ASSEMBLYMAN SINGER: So, in other words, if there's a short, we absorb that ourselves.

MR. PAULSEN: Sure.

ASSEMBLYMAN SINGER: The State absorbs it.

MR. PAULSEN: In fact, I mean, that's the essence in the difference in the system. Risk goes with return. And the private system is predicated on that kind of concept. They are on the spot managers of small business. To the extent that they are on the spot managers of small business, they do relieve us from -- relieve Trenton -- of certain responsibilities that Trenton has with regard to State-run agencies, in terms of employees, and handling the employees in the day-to-day aspects of that. Perhaps a little less involved on the part of the Division with the private agents, than with the State-run agencies.

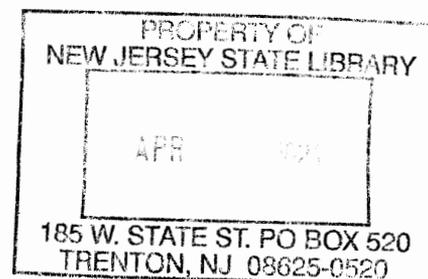
ASSEMBLYMAN SINGER: Then, from what I'm gathering, the new cost of the new contract and the effect of operating the agency has really brought the private sector up to a similar level as the State's.

MR. PAULSEN: Roughly the same, yes.

ASSEMBLYMAN SINGER: Were there any specific performance standards agreed to in the new contract?

MR. PAULSEN: Yes, sir. And they are attached to the large package that is-- (word inaudible) (at this point, witness distributes package of documents to Committee, to which he now refers) There is a code of conduct, and then there are contractual performance standards that are attachments to that, Assemblyman. Perhaps I can help you.

ASSEMBLYMAN SINGER: I have it. Have you found that the agencies have been able to meet the new standards, in both staffing, financial accountability, and everything else in the new contract?



MR. PAULSEN: To this point, the-- (Assemblyman Foy arrives) Good morning, Assemblyman. To this point, the answer is no. But again, that's not a knock on the private agents per se. This contract was put into effect, I think the latter part of March because the negotiations were so prolonged we made them retroactive to January 1, and we've had to give them time to come into compliance in terms of staffing and also straightening out the question of the retroactive pay, which is a difficult mathematical computation.

So that, as of July 1 we expected full staffing, and we are now beginning to really enforce the provisions of the contract. We haven't had a sufficient test period to determine true contract compliance. But that will go on through the remaining half of the year, at the end of which we should have some pretty hard data to make better comparisons of performance.

But that's not to say that we're not in a substantial measure, satisfied with the agents' performance, predicated upon what resources they've had in the past. But we are looking for more now, and we are going to be monitoring more closely, and the private agents have been told that.

ASSEMBLYMAN SINGER: Given that you're -- and I know that it's difficult to answer, but -- how the private sector agencies compare to the public sector agencies in efficiency of operation?

MR. PAULSEN: We have-- Last April I asked for a tracking system to be put in place concerning complaints that we receive about all field operations, included in which would be our agencies. We have gotten that system off the ground, but I don't think we have a sufficient test period to really tell. The complaints are roughly equal, but ones that we're generating on that system do not necessarily include all the ones that might be transmitted in another fashion. And I don't think that's a fair way to base the evaluation.

I can tell you that we receive -- I receive -- a number of complimentary letters, oddly enough, from the public about service provided, at State-run agencies, at the county-run agency in Northfield, and also at private-run agencies. There are some private agencies that are run very very well; there are some that don't run so well. The same can be said of the State's. So, I'm not in a position to really draw a comparison at this point. Again, the only fair comparison is going to be after you've had some experience under a contract which puts the private agents in a position to compete with the State-run agencies. And that, I would say, a proper test period would be at least until the end of this calendar year.

ASSEMBLYMAN SINGER: I think the chartages (sic) you put in, it showed there are 20 complaints against the 27 private agencies, and 21 against the 25 public agencies. Can you tell us what kind of complaints they were, in general?

MR. PAULSEN: Ed's got a -- Ed Gyarfas has a breakdown on--

ASSEMBLYMAN SINGER: You know, not specifically. Were they personnel complaints?

MR. PAULSEN: There's some complaints about procedures; we have some system difficulties that can't be traced to an individual, but traced to the system itself. I mean, for instance, the way we operate right now -- and we're going to bring an end to it -- you've got to go to a couple of different places to get a driver's license. You're going to get a complaint about that. That's not the fault of anybody except the system. I take the blame for it, but it's certainly not the fault of the agent or the supervisor at a State-run agency.

So, you have some procedural problems. Likewise, there's some functions out there that we'd like to do that we're going to be putting out there. You can't get a duplicate

title if you want to sell a car and you can't find the title, then you've got to come to Trenton, and the first place you're going to go is the agency, where you're going to get turned away. And that's going to generate a complaint. That's not fair; that complaint is not fair to the agent or to the supervisor. That's a reflection of some system problems that have historically been there and need to be changed.

So, I think the complaints that we received are across-the-board. Some of them do involve questions about courtesy, and we promptly address those whether it be a State-run agency or a private-run agency. But, again, I think the empirical data we have on that is just too early to be of any real value, and I hesitate to talk at great length as if those statistics have any real meaning at this time. You also need to track -- when we started to do that centrally, you need to track the complimentary letters that you get. And I don't have that; that's not tracked from this system as well, because I didn't give that charge to-- But obviously, that should be incorporated in any kind of analysis of either State-run agency or private-run agency.

ASSEMBLYMAN SINGER: Three strategic target groups have been established to study the issues of agency reform. One group looked specifically at what functions and services should be available to motor vehicle customers at all agencies, and how these functions should be structured and staffed. Have any of those strategic target groups reported the result of their study yet?

MR. PAULSEN: Have any of them what?

ASSEMBLYMAN SINGER: Reported any of the results of their studies yet?

MR. PAULSEN: We have given you in your package a preliminary planning document called "A Model Agency System Working Paper" which--

ASSEMBLYMAN SINGER: Just for the record, not so Assemblyman Foy and I look like we don't look at things--

MR. PAULSEN: Let me. I want to apologize again, this was not delivered to you folks until late yesterday, and I apologize, and I just wanted you to have that frame of reference for the purpose of our discussion. That's completely my fault.

ASSEMBLYMAN SINGER: Okay, fine. I understand that.

ASSEMBLYMAN FOY: I stayed up all night reading it.

MR. PAULSEN: I know you did, Assemblyman.

ASSEMBLYMAN SINGER: You're fortunate. I had a task committee meeting last night. It was a double dipper.

MR. PAULSEN: In any event, for reference, that document includes the preliminary conclusions of the strategic target groups in all three of those areas that are now being reviewed by us internally in the hierarchy, including the Attorney General, by the Intergovernmental Task Force convened by the Governor, and by the private sector advisory panel. But this document reflects our best current thinking on how the agencies ought to work, and how they ought to look, and how they ought to be staffed, and how many there ought to be, and what ought to be done there.

ASSEMBLYMAN SINGER: Did any of the STG groups examine the posture of having some or all of the agencies operated by the private sector? Was that anything they looked at?

MR. PAULSEN: Yes. We, through the planning process, have had that on our minds and have discussed a number of possible alternatives. Again, on the private side, we understand that there could perhaps be an inappropriate role for some functions that are presently done by the Division of Motor Vehicles, including the agency system that could be done by the private sector. But the thing that we have always struggled with is how to draft an appropriate RFP that could be responded to in a meaningful way by the private sector.

So, what we have done and what this document represents, is a generic document as to what functions we need to do, how we should locate agencies, what they ought to look like, how they ought to be staffed, without regard to whether they're State-run or private-run.

ASSEMBLYMAN SINGER: Have you looked at any other states -- I know we discussed this once before -- that have private sector involvement? Have you seen anything further than what you've looked at that has interested you that you see a feasibility of maybe bringing into our State, or you really haven't seen anything that's working from other states?

MR. PAULSEN: Again, included in the package is a summary of motor vehicle operations by other states. And my reading of that reveals that the vast number of states' motor vehicle systems, although they are very very different from state to state, are typically run either through the state or through the county system, or through a combination, and not through a private sector involvement. The one experiment of which I was aware was the one in Florida, with some photo-licensing, and I think in Eckerd Drugs, but I think that's limited to one or two places at best. And I'm not even sure if that hasn't stopped. I know that at one point in time, Speaker Hardwick said that there was a system in Ohio that involves the private sector substantially, and on investigation of that it is my understanding that they are reversing their tracks in that regard.

So, I am not aware of any significant-- This document will reveal, I think the only place that really uses a bid system in any shape or form, I think, is Vermont, and that has to do with the collection of moneys and the processing of the bank deposits. And all the work is then done by the division as a result of transmission. So, I'm not aware of -- I don't claim to be the total expert on that issue -- as to what success of any other comparable system has had in terms of privatization in any of its motor vehicle services.

Again, as I indicated to you in earlier conversations, we continue to explore, aside from the agency system, the issue of insurance surcharge, and whether that is an appropriate function for the private sector. We'll be making a recommendation in that regard in the very near future.

ASSEMBLYMAN SINGER: I just have one last question. Has any of the private sector groups shown any interest at all into possibly taking over some agency functions?

MR. PAULSEN: The members of the private sector advisory panel are presently reviewing this model agency document. We've met with them a couple of times, and they are submitting to us written recommendations as to how the system should best be run. Given that this is what it would look like, and this is what we want to do with it. None have expressed -- not all have responded in writing -- none have expressed an interest for their individual companies becoming directly involved at this point.

ASSEMBLYMAN SINGER: I would just share with Assemblyman Foy, we have been in contact with the Privatization Council; they have told us that they do have a number of purveyors who are interested in talking to us. We are setting up a meeting -- I think they said they had at least 20 inquiries, and 6 on an interested basis. For our next meeting we're going to have them in, and the interested parties to come and talk to us about it.

But, I am certain, Director, you will know when that is, and you are more than welcome, and your staff is more than welcome to come and listen to what they're going to say to us about that. I'm sure that's going to be--

MR. PAULSEN: Absolutely we'll be here, and we'll be happy to work together to provide them with any information that they need to help make the evaluation as to whether they are in fact interested. And we'll be happy to work with the Committee in terms of pursuing that further.

ASSEMBLYMAN SINGER: Tom, do you have some questions for him?

ASSEMBLYMAN FOY: One, I noticed that in the summary of State Motor Vehicle Operations, that you hadn't gathered any data regarding Hawaii. If it's necessary for anyone to travel to Hawaii on behalf of the Division to gain that information, I'd be willing to accompany them. (laughter)

MR. PAULSEN: I know. As a world traveler, I'm sure you would do the best job of it.

ASSEMBLYMAN FOY: I didn't see Alaska or Hawaii in there; it's just the 48 states. Well, you know, just as a matter of preference in terms of-- I may not have any specific questions at this point, because I'm going to need some additional time to digest the data, and it seems rather comprehensive. Given the fact that our goal is the delivery of a particular service or product to our customers, who are the taxpayers of this State and the driving public -- and that's your function as the head of that particular agency -- I'd be curious if, in the time you've spent there, you've reached any preliminary conclusions about a State system, a private system, or a mixed use system with respect to motor vehicle agencies? Or are we too early to put you on that hot spot?

MR. PAULSEN: I think, Assemblyman, as I was indicating to Assemblyman Singer, the comparison between, at least the system we have presently, which are mixed in three ways: the county, the private agents, and the State-run agencies -- we'll have to wait about six months. I can say, as I said the day I was sworn in when I was asked this question, as a manager you like to in a pure sense -- you like to maximize your control to the extent that you're dealing with your system that theoretically maximizes your control. But I'm not prepared to say, at this point in time, that our private agents can't function, and that there isn't a place for privatization. But in a pure management sense, I think, just

like you and your law firm, you don't want to subcontract your legal service if you can avoid it; you want to do it.

ASSEMBLYMAN FOY: That's right.

MR. PAULSEN: So, in that sense, that would be the only prior or preconceived notion that I have.

ASSEMBLYMAN FOY: As a follow up to that question, what about the issue of the depoliticization of the Motor Vehicle Agencies? It seems to me that the more you build in these institutional guidelines and these institutional strengths -- the contracts, the performance records, the systems -- that in effect inherently depoliticizes it. It's not like the good old days, where-- I mean, I don't really run into anybody in politics who says, boy I can't wait until we take over so I can be a motor vehicle agent. (laughter) I mean, realistically, you know there aren't a lot of my contributors or supporters in Burlington County who want me to put in a good word with the next Democratic Governor so they can have an agency in Burlington or Mt. Holly.

ASSEMBLYMAN SINGER: Bite your tongue, Tom.

ASSEMBLYMAN FOY: There are other things that I'd think they'd be interested in in State government as opposed to these. Now, maybe that's kind of a reversed role situation in a sense that it's become so unattractive, it's been forced to be depoliticized. But, are you seeing that in a sense that it's just not -- the politicization is being dissolved in a sense, as a result of the fact that these agencies are being professionalized?

MR. PAULSEN: Yeah, I think that's true to a certain extent. You know, I've got to say that the private agents in the course of their negotiations said, and I would say if I was sitting in their seat, "Hey, don't give me all these restrictions, and don't tell me how many people. I'm running this business; I know how many I need; I know what I ought to pay them, or what I need to pay them." And I said, no, I can't

do that. And in fact, there are a lot of controls in there which restrict the freedom of the private agents, whether they be political private agents, or whether they be a franchisee like a McDonald's or 7-Eleven, or something like that.

But, yeah, that's true.

ASSEMBLYMAN SINGER: You know, Tom, I think one thing -- and I had a chance to speak to the Director for a few minutes before -- that it certainly was a concern -- wasn't it -- in the past, many times, many of the agencies were part-time type of situations, where a person was not there as a full-time position. That's changed. And I think with that change, and requiring that that person is there and operated as a business, we're seeing that it's not that lucrative sideline that someone just wants. You're taking over a business that if it doesn't make it and doesn't perform well, will not be in existence.

ASSEMBLYMAN FOY: You're becoming a retailer.

MR. PAULSEN: We try very hard to do so.

ASSEMBLYMAN FOY: That's exactly what's happening. And I think just to share a volume of increased employees -- or the increased vehicles from what we had two decades ago to what we have now, almost forces that. I mean, the marketplace itself is driving it towards the situation where it's got to be a business that's viable to survive. And, you know, that's probably a healthy thing in a lot of ways. There's a certain nostalgia for the good old days in terms of politics, but realistically, in terms of serving the public, I think we're better off if this particular function of government ultimately is devoid of politics in the sense of it being viewed as a political appointment in which you can enrich yourselves. And I don't think that's the case any more at all with these motor vehicle agencies.

So, we need six months to get some meaning to the data in terms of being able to analyze it to see what it tells us.

MR. PAULSEN: I think so.

ASSEMBLYMAN FOY: That gets us through the next election. In January you think we'll have it? Or February? When are we going-- The next legislative session?

MR. PAULSEN: Yeah, we may be in a position--

ASSEMBLYMAN SINGER: We may not be here Tom. We don't know.

ASSEMBLYMAN FOY: I have a certain confidence in the people of my district to separate the wheat from the chaff.

MR. PAULSEN: We may be in a position to make a comparison. I just can't do it now, Tom. The contract is just in place, and we couldn't really start to enforce it until we got some of the retroactivity questions out of the way, and they got their staffs on board. We may be in a position to do it in the early fall. I just think it would be unfair to try and make the comparison right now.

ASSEMBLYMAN SINGER: Has anything been looked at at all to the future as to looking at teller-type machines? You know, I'm involved with a bank, and someday, not in the too distant future, you're walking into a bank and there's going to be 10 teller machines in there, and one physical teller at the end, and you'll pay a surcharge to see someone, or you'll go to the teller machine and do your deposits and withdrawals.

I envision that that's going to be taking over tremendously a lot of functions of a lot of things in the future, and maybe that you'll be going to an agency where there'll be two people and 10 machines.

MR. PAULSEN: We are working-- We've got to walk before we run, and we're looking very hard right now at the feasibility of implementing credit card type payments at first maybe regional service centers, and then at agencies. Maybe at some point in time that will come, although as the Assemblyman talked about, the nostalgia for the good old days, I have to say that I as a customer, particularly when I don't have a transaction that's just a deposit or withdrawal from a bank,

but involves maybe some judgment and some question, I would like to see a person, and I would hate to have to pay -- I'd hate to, as a manager, have to charge somebody to see me as opposed to talk to a machine. But obviously, technology is going to advance.

ASSEMBLYMAN SINGER: Again, I'm talking about the basic functions of renewal of license, renewal of registration, that could be done by a credit card, that could be open 24 hours a day. That's a very cheap thought. If it's outside like the teller machines, it's open 24 hours a day. A person can come any time during the day and renew their license and registration.

MR. PAULSEN: I would like to be ready for that. We're not ready for that, but obviously at some point in time it would be nice to be able to do that.

ASSEMBLYMAN FOY: Sitting around having a few beers, "Let's go down and get our license renewed." (laughter) Run down to Big Mac or whatever the name of the machine is, MOVO or something like that.

ASSEMBLYMAN SINGER: "FOYMAC", Tom.

ASSEMBLYMAN FOY: It's an interesting concept. I mean, eventually, you know enough people are going to have personal computers. I mean, people are buying stuff right now through their home computers so I guess they could order up their stuff from their own computer to your computer, but then you're going to have a security problem of hackers getting in and sending somebody's license someplace else, and the Governor ending up with a Superfly plate on his car and things like that. There's dangers involved in that.

MR. PAULSEN: We have always to be mindful of the security concerns that are attendant to the issuance of licenses, and all the issues that are out there in that regard.

ASSEMBLYMAN FOY: What about the -- my pet subject -- telephone system?

MR. PAULSEN: Coming -- 800 numbers.

ASSEMBLYMAN FOY: The 800 number is on its way? Okay.

ASSEMBLYMAN SINGER: Tom, anything else?

ASSEMBLYMAN FOY: Thank you, Director, for coming and for bringing his cast of thousands here. We enjoyed having his support groups.

ASSEMBLYMAN SINGER: I certainly also want to thank the Director and his staff for taking the time and being so cooperative with us on this.

MR. PAULSEN: I appreciate the opportunity to be here. I just want to respond on the 800 number issue, if you could help us as to what increased volume we could expect on calls, it would be a lot easier for us to implement that. Because the last thing that we want to do is to implement a system that's not going to work. And that's a major difficult is analyzing what that increase is going to be.

ASSEMBLYMAN FOY: I would direct you to Russell Headmen and John Spinager from New Jersey Bell Telephone.

MR. PAULSEN: Thank you, sir.

ASSEMBLYMAN FOY: They'll give you all the help you need.

MR. PAULSEN: Thank you very much.

(HEARING CONCLUDED)

