

P U B L I C H E A R I N G

before .

ASSEMBLY TRANSPORTATION & COMMUNICATIONS COMMITTEE

on

PORT AUTHORITY OF NEW YORK & NEW JERSEY & PATH COMMUTER LINE

Held:

March 30, 1982

Freeholders Chamber

Jersey City, New Jersey

MEMBERS OF COMMITTEE PRESENT:

Assemblyman Thomas F. Cowan (Chairman)

Assemblyman Wayne R. Bryant

Assemblyman Thomas A. Gallo

Assemblyman Edward K. Gill

ALSO:

Laurence A. Gurman, Research Associate

Office of Legislative Services

Aide, Assembly Transportation & Communications Committee

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New Jersey State Library

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ASSEMBLYMAN THOMAS F. COWAN (Chairman): I would like to open the hearing this morning. At the direction of the New Jersey General Assembly, pertaining to its passage of Assembly Committee Substitute Resolution 22, on March 15, 1982, this Transportation and Communications Committee has been charged with the responsibility to look into several specific matters with regard to the Port Authority of New York and New Jersey, and, as well, the Path Commuter Line system.

As Chairman of this Committee, I invite any interested party from either the public or private sector, to assist in providing any information with respect to matters at hand. Your involvement is most important and fully appreciated by this Committee.

Our morning session will deal with the aforementioned Assembly Resolution 22, as amended. Said resolution directs this Committee to inquire into the alleged existing and anticipated deficit incurred by the Port Authority of New York and New Jersey, in its operation of the Path Commuter Railway. We will look into the accounting system, and specifically for Path as well as the general accounting system used for other Port Authority agencies. This Committee wishes to investigate and come to a full and complete understanding as to the 1962 agreement, which allowed the Port Authority/Path to take under its jurisdiction for operation the old Hudson and Manhattan Railway system, as well as its property. Additionally, we must be made to understand why this action has led to such a positive result for the City and State of New York, while over this same time frame, the State of New Jersey has realized little benefit.

I am sure that many of us seated in this room today are fully aware of the recent action by the Governor of New York regarding his veto of certain portions of minutes pertaining to the current thirty-cent fare for Path.

New Jersey is a great State. We stand in no one's shadow. This Committee seated before you will ensure that such attitudes change quickly and swiftly, so that this great State can realize its fair share for our future.

Our afternoon session will deal with another specific area which this Committee is also very concerned about. I speak of a matter of life or death. I refer to the recent rash of fires, of many types, on the Path Commuter system. Most serious of these recent fires occurred on March 16, 1982. At that time, some seventy Path passengers were injured and some four hundred commuters had to be evacuated from an underground tunnel. We should consider ourselves most fortunate that there was no loss of life as a result of this fire -- which was not reported for some nineteen minutes after it was first located. Again, I restate my earlier comment, that it was most fortunate we suffered no loss of life.

Over recent years, we have seen a number of fires increase to a point where fires are accepted as a normal daily occurrence. In 1980, Path had one fire every 3.4 days. In 1981, we saw the fire rate rise to one every 2.6 days. Since the start of this current year, 1982, the number of reported fires has jumped to one fire every 2.2 days. One must wonder where this will lead for the balance of 1982 and beyond.

This Committee feels this to be a most serious problem that must be addressed immediately by Path and Port Authority. Needless to say, each and every one of the 80,000 commuter's lives are at stake, each and every day. Must we suffer a tragic occurrence before the necessary positive and responsible action is taken? I truly hope not.

Once again, as Chairman of the New Jersey Assembly Transportation and Communications Committee, I invite you to present any helpful information to this Committee that may assist us in the course of this hearing.

I would, at this time, like to introduce the members of our Committee. On my immediate right is the Vice Chairman of our Committee, Wayne Bryant, from District 5, in the Camden area. To this right is Thomas Gallo, District 33, Hudson County. To my immediate left -- your right -- is Edward Gill, District 21.

Also with us this morning we have Oliver Koppel, the Chairman of the New York Assembly Committee. For Independent Authorities and Agencies or Commissions is Daniel McCarthy, sitting out in the audience. Also, the aide to the our Transportation Committee, from the Office of Legislative Services, Larry Gurman, is here with us. We also have with us another individual who has been very helpful, from the Majority Office, Fred Butler.

At this time, we do have a number of people who have requested to testify before the Committee this morning, and our first witness will be Mr. Morris Pesin from Jersey City.

M O R R I S P E S I N: Good morning. I thank Assemblyman Tom Cowan and the members of the Committee for coming to Jersey City on this very, very vital question.

I am former Councilman of Jersey City, and in my retirement I direct two departments, non-salaried, and I am able to devote time to the problems facing our city and our State.

In 1974 and '79, I coordinated the opposition to the Path fare increase, and I am delighted to again appear on behalf of many people who again oppose it.

I have given copies of my prepared statement to Mr. Gurman, and I will read the statement. I will then be very happy to answer any questions after I read the statement.

For the third time in ten years, beginning in 1974, we are again being barraged with Port Authority rhetoric and statistics about the so-called unrealistic thirty cent Path fare and Path deficits. Now that the Port Authority has struck out twice, 1974 and 1979, by two vetoes by former Governor Byrne, it remains for your Committee and Governor Kean to finish the job with the final putout. Only your Committee is in a position to clear up all of the fictions by the P.A. of deficits, Path losses, subsidies, etc.

The Port Authority has been juggling its books for years, has kept its financial affairs and accounting methods in such a state that its published reports and financial statements

are difficult to evaluate. To my knowledge, there has never been a comprehensive analysis and audit by knowledgeable accountants -- I mean independent ones -- and financial experts, of the vast operations of the Port Authority by the State of New Jersey. This, I hope, will be undertaken by this Committee, to set at rest the constant periodic cries by the Port Authority of Path deficits and losses. The announced \$57 million Path loss should be gone into deeply to verify its accuracy.

The Path fare is something special that 80,000 New Jersey commuters are entitled to by reason of what our State gave to New York. The fare is not unrealistic. What is unrealistic is to ask these commuters to pay almost \$150 each in added fares to subsidize the Port Authority and the troubled New York Transit System, because of Governor Carey's charge that New Jersey riders are being subsidized. On the Contrary, the Port Authority is being subsidized by the W.T.C.-Path combined operation.

In 1962 New Jersey passed the New Jersey Development Project Law, which authorized the construction of the World Trade Center on the land of the bankrupt H&M to assist the banking community in New York who wanted to revive lower Manhattan. The courts which upheld the law in many legal battles said that the WTC -- that is the World Trade Center -- and Path is an integrated transportation project.

Were it not for the Path takeover there would be no World Trade Center. The Port Authority set up its own book-keeping system and treats both projects separately. This financial juggling is completely illegal and unjustified.

A consolidated statement would show that the projected WTC statement for 1982 that is projected shows a profit of \$83 million, as against a \$57 million alleged Path operating loss. We therefore show a profit of \$26 million for the combined operation. Add to this the \$25 million for 900,000 square feet which the Port Authority fails to pay in rentals in the Journal Square building, and also 800,000 square feet at the World Trade Center. This means \$25 million that they do not

MR. PESIN: Well, the impact-- Even though I would say about one-third of the riders of Path are in Hudson County, Bayonne, Jersey City, Harrison, and North Hudson, two-thirds are suburban commuters, and they have their own problems with feeder lines that come to Path. To put this additional burden on them will be tremendous.

Jersey City and Hoboken, particularly, have experienced a tremendous rebirth along this waterfront. Thousands of people are moving in from New York into Hoboken, into Jersey City, into Bayonne, and other places. And, one of the great selling points of this is that Path fare.

We are now going to experience a tremendous rebirth on the waterfront; with industry coming into Jersey City on the waterfront, there is a great, and there will be a great impact if this fare were to be increased. Paterson, West Hudson -- all of them would feel keenly about this. As I said, they are only about one-third of the riders. Bayonne is essentially, the bedroom of New York City. This is our lifeline. You have to understand that there are feeder bus lines to Path from Hudson County. Add to this one hundred and fifty dollars a year-- And these are very moderate and medium income workers, they are not all wealthy suburbanites, and not all suburbanites are wealthy. Many of them just about get along with keeping their houses going. And, their feeder lines, their fares, are going up, so this is one fare we should keep as is.

Jersey City and Hudson County -- urban areas -- need help, and this is one of the things that the State of New Jersey, the Governor, and this Committee must be well aware of, what it means to Jersey City and Hudson County, no less the two-thirds, or 80,000, commuters who are from the suburban areas. I think that, generally speaking, this should be thought about carefully, and I think the time has come to look deeply at the figures, this ten or twelve million that they want to extract so that they can use it for other purposes.

The Port Authority always seems to have enough money

to finance all of its regional projects, that is in New York and in New Jersey. They don't have to come, hat in hand, to take this money out of the hands of our New Jersey commuters, particularly.

ASSEMBLYMAN COWAN: Ed?

ASSEMBLYMAN GILL: Since we are representing all of New Jersey -- New Jersey as a whole -- let me just check one or two of the figures. You just indicated that the State of New York rents at bargain prices.

MR. PESIN: Ten dollars a foot.

ASSEMBLYMAN GILL: Roughly, they are picking up about forty million dollars.

MR. PESIN: Four million dollars.

ASSEMBLYMAN GILL: Okay. Now, if that four million dollars is spread throughout the State of New York, subsidizing the people of the State of New York, could not the surplus that you are talking about -- which at the moment is directed towards the commuters and only the commuters, not to all of the State of New Jersey -- could not a like amount be given to the Treasury of New Jersey to help defray the expenses for all of New Jersey?

MR. PESIN: Well, it won't help New Jersey much. Four million dollars is a pittance. The important thing is, we have to get our New Jerseyites to New York to eke out a living, to come back into New Jersey, and I think that it is more important to keep that fare rather than to merely spread out four million dollars, which will mean nothing. You, as an Assemblyman, can appreciate how far four million dollars will go.

Governor Carey has what Mayor Koch would call hutzpah, to say that he is subsidizing the New Jersey commuter -- that New Jersey commuters are being subsidized, when he himself is being subsidized to the extent of four million dollars. This is an outrageous situation. But even more important, the Port Authority has nine hundred thousand square feet,

for which they do not pay any rent. If they did not have this World Trade Center building, they would have to have their own building and pay rent to somebody else. You have to take that into consideration, that the World Trade Center-Path account is subsidizing the Port Authority, and not the reverse.

ASSEMBLYMAN GILL: Check my math. You say that New York State rents two million square feet?

MR. PESIN: Yes.

ASSEMBLYMAN GILL: Is that what you said?

MR. PESIN: At ten dollars a foot, and I think the going rate is thirty.

ASSEMBLYMAN GILL: Okay, that is twenty dollars a square foot they are saving.

MR. PESIN: Twenty times two million is--

ASSEMBLYMAN GILL: That is forty million dollars. That is a big difference from four million.

MR. PESIN: Oh, I'm sorry; I didn't say four million. I said forty million. Twenty-five million is what they do not pay in rent. And, the World Trade Center is taking in, today, eighty-three million dollars. And, if you subtract the alleged fifty-six million dollar losses, you will still come out with a fifty-five million dollar surplus. And, I think that the additional ten or twelve million dollars is important to New Jersey riders, and I am sure that the Port Authority would have no problem in financing their project with that.

They have gotten increased tunnel fares. They have gotten many things they have wanted. They are earning tremendous interest on their surplus. And, I think it does not become them to again revive this sore issue, and come back here every three or four years and remind the whole world that the New Jersey commuters are "free loaders," which in effect is what they are saying. They are comparing it to the ten or fifteen cent hot dog and the four cent stamp. This is what Mr. Goldmark has stated over and over again. The one thing has nothing to do with the other. We have to show the New Jersey commuters--

And, we have a couple of hundred thousand New Jersey commuters. I am speaking of regular, daily commuters who are having their own problems in the suburbs, and certainly in the cities. If you want to take a ride, you will see that all the people, particularly in Hudson County, who go to New York are not the elite. They are the ordinary, good, honest workers who would feel this one hundred and fifty-five dollars a year very much.

ASSEMBLYMAN GALLO: I would like to ask Mr. Pesin a question, if I may. You mentioned the fact that the P.A. fails to pay twenty-five million dollars in rentals for the Transportation Center in Journal Square.

MR. PESIN: Yes.

ASSEMBLYMAN GALLO: How is that figure arrived at?

MR. PESIN: Well, we are figuring nine hundred thousand square feet, times thirty dollars.

ASSEMBLYMAN GALLO: And how was it negotiated? By whom?

MR. PESIN: I don't know. That's their bookkeeping method. They do not pay rent. Actually, if they set up an account of the World Trade Center and Path, which is one operating unit, they should charge themselves that much money for rent, which they don't do. So, they are being subsidized in effect. They have to realize that they would not have had a World Trade Center building had it not been for the benevolence of New Jersey, and the New Jersey Legislature at that time. When the Rockefeller groups and the downtown groups were begging New Jersey to permit them to build the World Trade Center, New Jersey went along with it. And, that Trade Center revived downtown New York.

I think, certainly, that in repayment of that, they should not cry and try and drag out another twenty or thirty cents from each commuter.

ASSEMBLYMAN COWAN: Thank you very much, Mr. Pesin.

MR. PESIN: Thank you very much, gentlemen.

ASSEMBLYMAN COWAN: I assume the next witnesses will

be together: John McAvey, the Comptroller from the Port Authority of New York and New Jersey, and Robert Bennett, the Assistant Executive Director of the Port Authority of New York and New Jersey.

Good morning, gentlemen.

R O B E R T F. B E N N E T T: Good morning. How are you?

ASSEMBLYMAN COWAN: Good, thank you.

MR. BENNETT: My name is Robert F. Bennett, I am the Assistant Executive Director of the Port Authority. With me is Mr. John McAvey, who is the Comptroller of the Port Authority.

Mr. Chairman, I am here, as you know, to discuss the matter of the Path deficit, and to discuss the Path fare. One of the purposes of this hearing was to review the matter of the fire on March 16th. As our Chairman, Alan Sagner, indicated to you in a letter of March 26th, at this time it would be premature to get into a discussion of the unfortunate fire because of the--

ASSEMBLYMAN COWAN: Mr. Bennett, when I had a conversation with Mr. Sagner, I indicated that the statement, or the letter, that was sent out-- I just wanted to say, as a matter of public record, that in the letter, which I have with me, there was something there that I was in agreement with -- that he stated in his letter. I suggested to Mr. Sagner, that if he was not going to have anyone here to testify because of the investigations that were going on, it might be advisable for him to have someone here at that hearing, which will be this afternoon, to make that statement. Okay? So, if we do not combine the two, I would appreciate it.

MR. BENNETT: Fine. Mr. Chairman, by way of an opening statement, I would like to read from a letter that was written by Chairman Alan Sagner on March 11th, to Mr. August Lockwood, who is editor of the Jersey Journal. The letter concerned itself with an editorial that appeared in the Jersey Journal, On February 25th. I think the letter fairly outlines what

is involved in terms of the Port Authority's operation of Path, as well as its other operations.

The Port Authority is an agency of the two states. Its financial resources are used only for public purposes, approved by the two states. While Path is important, it represents only one of the Port Authority's many areas of responsibilities in promoting and developing commerce in the region.

At present, Path's thirty cent fare covers only twenty percent of the operating expenses. This means that revenues derived from other Port Authority operations -- airports, tunnels, bridges, and the World Trade Center -- must be used to subsidize the growing Path deficit.

The Port Authority has no other source of funds except the revenues we are paying from the people and businesses who use our facilities. We have no access to taxes or to any subsidies from the states.

Given this basic fact, it is clear that the money that is used to subsidize Path cannot be used for anything else.

This year the Path deficit will reach a new high of fifty-seven million dollars, representing a subsidy of nearly a dollar and twenty cents per trip for each Path passenger. If Path were to raise its fare to cover at least fifty percent of the trip, there would still be a substantial deficit from its operations.

However, the additional revenues could then be used to finance major capital improvement projects directly related to Path's continued service reliability, maintenance, and safety.

When the Port Authority acquired the bankrupt and antiquated Hudson and Manhattan Railroad twenty years ago, it pledged to convert the system into a first class transit operation. Today, on the eve of the twentieth anniversary of the takeover, Path is regarded as one of the most modern and reliable transit systems in this country, and a genuine economic asset to both states.

But, much more needs to be done to ensure the continued, safe, and reliable operation of this vital interstate public transportation system.

In order to maintain the high quality of Path's service, it will be necessary for the Port Authority to make substantial additional investments in coming years. This means that at least three hundred million dollars will have to be spent on further improvements, including an extensive safety program, complete overhaul, and rehabilitation of the aging passenger car fleet, and the planned construction of a new car maintenance and storage yard to replace the inadequate and antiquated facilities currently available. A reasonable increase in the Path fare to reflect inflation and soaring operating costs, is necessary to assist us in financing these needed Path improvements.

The basic question is really not whether Path's fare should or should not be raised, but what are the region's real priorities? A decision to keep Path's fare at an artificially low level represents a choice to provide a heavy subsidy to a relatively small number of interstate commuters.

On the other hand, an equitable Path fare not only would strengthen the Port Authority's financial ability to improve Path, but also to undertake additional job-generating projects in New Jersey and the entire region. The fact is that the money used to subsidize Path is not available for other purposes, such as the purchase of new buses for New Jersey, and the economic development projects in both states, and throughout the region.

The more money we use to subsidize the Path deficit the less the Port Authority has available to generate capital for other worthwhile projects, including waterfront reconstruction and industrial development in Hudson County and other areas of northern New Jersey. Thus, a bargain fare on Path may, in the long run, be an unfair bargain for New Jersey by depriving its citizens of new jobs and much needed economic growth.

If I can stop at this point, I am prepared to get into a description of the Path deficit, how it is calculated, who certifies to it, as well as a description of the relationship of the Path operation, vis-a-vis the World Trade Center, which stems from the 1962 legislation.

ASSEMBLYMAN GILL: Mr. Bennett, are you also prepared to talk at this time about the rental of World Trade Center floor space?

MR. BENNETT: Yes, I am.

ASSEMBLYMAN GILL: It would help me to put it in perspective. Do you agree with the statements that have been made that New York State rents two million square feet of space in the World Trade Center?

MR. BENNETT: Yes, I do.

ASSEMBLYMAN GILL: At ten dollars a square foot?

MR. BENNETT: Approximately ten dollars a square foot.

ASSEMBLYMAN GILL: What is the going rate for a square foot of rental in New York City -- downtown New York?

MR. BENNETT: Well, I guess roughly between thirty and thirty five dollars at today's market level.

ASSEMBLYMAN GILL: Does that rate represent, in your mind, a subsidy to the State of New York of about forty million dollars?

MR. BENNETT: No, sir.

ASSEMBLYMAN GILL: I keep coming back to the forty million.

MR. BENNETT: No, I can't characterize it as a subsidy. When the agreement was made with the State of New York, which as back in the '60's -- the mid to late '60's -- the agreement was designed for the Port Authority to recover its cost. There were two components to the rent figure. One component was the capital recovery; and, the second component was the recovery of current on-going maintenance and expenses. The ten dollars that we talk about today does provide for those two recoveries --

the capital recovery and the operating and maintenance expense recovery. So, the cost of providing the space and the cost of operating and maintaining the space is, in fact, being recovered through the ten dollars rate, as was designed.

Now, at the time this agreement was reached, that rate was substantially higher than the then going real estate rates. We have seen a tremendous turn in the market, where a comparable space is going now, as I said, for thirty and thirty-five dollars a square foot. However, this is an agreement that was entered into in good faith in the late '60's, which was designed to serve a purpose -- that is, to recover Port Authority cost -- and it is doing that.

So, what we would say is that there is not a subsidy involved, but if I were making the arrangement today, obviously the rate wouldn't be ten dollars.

ASSEMBLYMAN GILL: At the same time the arrangement was made with respect to operating Path, with the same thing in mind, these are the conditions that exist today, whereas thirty-five years ago you rented the space at ten dollars a square foot, which was considered fair and adequate, and Path fares were set at thirty cents a trip, fair and adequate on a comparable basis. Now, times have changed. We have all agreed to that. And, just as much as the times have changed in operating Path to justify, you say, an increase in the cost of the fare, would it not be fair to also say that times have likewise changed, and the cost of renting a square foot in the World Trade Center -- to anybody, whether it is New York State or New Jersey, or anyone else -- should now be at the going market rate? And, if so, as far as the figures are concerned, it is pretty much a wash. As I see it, we are underwriting -- or somebody is underwriting -- the cost of about two million square feet for about forty million dollars -- these are approximate figures -- and you are talking about a loss in Path of about forty million dollars. Given the existing circumstances we started with about thirty-five years ago, it looks like we

are just about even. Would you like to comment on that?

MR. BENNETT: Yes, I would. When we took on the responsibility of operating Path, as well as the responsibility to develop the Trade Center, in order to raise the funds that were necessary to finance the reconstruction in the case of Path, and the construction in the case of the World Trade Center, our Board had to make a certification to bond holders -- existing bond holders as well as prospective bond holders -- as to the economic impact of those two undertakings on the overall financial capacity of the Port Authority. And, the projects are separate projects, and they were certified to separately. The financial certification for Path was made on the expectations of the financial results of Path; similarly with the Trade Center. And, in this certification that was made to bond holders, on the Path operation it was assumed that there would, indeed, be a deficit. The deficit would stem from the inability to recover out of a fare box the capital improvements that we estimated were necessary to bring the old H&M system to a first-class state.

Further assumption was made that the operating and maintenance cost of Path would be recovered from time to time out of the fare box. As the operating and maintenance expenses increased from time to time, there would be a corresponding fare increase. That has not happened, obviously. So, the going-in assumption on the Path operation, in terms of its financial impact on the Port Authority, was that indeed there would be a deficit, but the deficit would be related to the capital portion of the operation.

Now, in the case of the New York State agreement -- if that is a parallel -- the New York State agreement did provide that the Port Authority's cost of providing the space -- capital cost -- and its operating cost would be recovered out of the rent payment. That's happening. That is occurring, albeit the payment is substantially below the current market. But at that period in time, it was substantially above the then

current market.

ASSEMBLYMAN GILL: But, we are comparing situations as they exist today, not as they existed over the years. I hear your explanation. I don't know what the agreement was thirty-five years ago; I'd have to check that. But, if indeed the agreement was that Path would have to be not subsidized but self-supporting, it would seem to me that a somewhat similar agreement must have been made that the Port of New York Authority would also collect adequate rental space from New York State. Was that a fact?

MR. BENNETT: I'm sorry, I missed that.

ASSEMBLYMAN GILL: Let me rephrase it. Was an agreement made thirty-five years ago that the World Trade Center would collect from the State of New York a market rent figure for the rental space?

MR. BENNETT: I can't characterize it as a market rent. The agreement was to collect a rent to cover the Port Authority's full cost of providing space as well as maintaining it, whether or not that rate was the current market.

As I said earlier, it was in the early days of the agreement, substantially the then current market. Today it is substantially below the current market. But, the agreement was to recover costs that were incurred by the Port Authority fully, so that the State is not subsidized. This means we are not incurring a cost for the State's space that we are not recovering. We are recovering all of the costs that we incur. There is no subsidy.

ASSEMBLYMAN GILL: But, if you were to collect what I continue to call the market rent, whatever you might be charging your non-New York State people in the World Trade Center-- To put it another way, the profit then from the World Trade Center would be approximately forty million dollars higher than it is now.

MR. BENNETT: Well, if your arithmetic gives you that answer, yes.

ASSEMBLYMAN GILL: Yes. Okay.

MR. BENNETT: But, there are other tenants in the Trade Center, I might add, who signed agreements ten and eleven years ago, who are paying what was then the current rate. That is happening throughout New York City.

ASSEMBLYMAN COWAN: Of course, in the original compact in '62, twenty years ago, the policy of the governors and the legislatures of both states was set then, as far as an operating deficit is concerned with the Path system. This was a policy decision. I wonder now-- As you say, this was set up with them, insofar as renting is concerned, in the latter part of the '60's. Approximately what year was that would you say? If it was in the late '60's, which was, say, five, six, or seven years later, who established that policy as far as a deficit was concerned with the rentals? Because what it is now is, it is a deficit.

MR. BENNETT: No, it--

ASSEMBLYMAN COWAN: Well, you say it covers, but actually you could look at it as a deficit, in the sense that you said it covers capital and maintenance -- the ten dollars per square foot.

MR. BENNETT: So, it is not a deficit.

ASSEMBLYMAN COWAN: In comparison to the overall.

MR. BENNETT: Well, let me put it this way: If that space was available for rental today -- if I am putting two million square feet on the market, I don't know if every square foot would go for the rate that I want. But, that space could rent for thirty, if it were put on the market today.

ASSEMBLYMAN COWAN: I understand all that. Maybe I am not making my point as clear as I should, but this compact in 1962 was established in perpetuity -- as I understand it -- as far as an operating deficit with Path. That was the policy of both states and the governors. Now, who established the policy -- and eliminate the word deficit, all right? --insofar as this policy decision with New York State concerning the

rental of office space?

MR. BENNETT: The agreement that was negotiated with the State of New York for their space was brought to our Board and approved by our Board of Commissioners, six of whom are New York Commissioners, and six of whom are New Jersey Commissioners, and submitted to the two State Houses for their review and approval or veto. So, that agreement was approved by our Board as well as the two governors sitting at the time.

ASSEMBLYMAN GILL: I appreciate that, but does it say that they are going to pay ten dollars forever?

MR. BENNETT: It says that they will pay the capital component, which is a fixed number now because we know the precise investment, with a changing number for the operation and maintenance segment. And, when I say changing in today's world, that means increasing number for operating and maintenance costs; a forty year fixed term for the capital; and a one hundred year fixed term for the lease overall.

ASSEMBLYMAN COWAN: That's almost in perpetuity too. In that regard, is that the normal policy of the Port Authority in rental of office space?

MR. BENNETT: No, sir.

ASSEMBLYMAN COWAN: What is normally the term of that?

MR. BENNETT: Excuse me?

ASSEMBLYMAN COWAN: What normally is the term -- the length of time?

MR. BENNETT: It depends on where you are in a moment in time, insofar as the market is concerned. But, generally--

ASSEMBLYMAN COWAN: The average.

MR. BENNETT: Generally, we would want an agreement of about twenty years for large blocks of space.

ASSEMBLYMAN COWAN: Twenty years for large blocks. And, you have many large blocks, I assume?

MR. BENNETT: We have a number of large blocks.

ASSEMBLYMAN COWAN: In proportion to the total rental?

MR. McAVEY: Approximately one-third of the space.

ASSEMBLYMAN COWAN: And the rest of the leases would then be for what term?

MR. BENNETT: Five, ten, fifteen years.

ASSEMBLYMAN COWAN: Five, ten, fifteen?

MR. BENNETT: Some longer.

ASSEMBLYMAN BRYANT: Through you, Mr. Chairman.

ASSEMBLYMAN COWAN: Assemblyman Bryant.

ASSEMBLYMAN BRYANT: I would like to ask a couple of questions. Are you telling me that in the enabling legislation one could not use revenues from the World Trade Center to subsidize Path?

MR. BENNETT: No, sir, I'm not saying that at all. Path is a part of the total Port Authority operation, and the Port Authority operates on the basis of pooled revenues -- meaning that all revenues from all sources will flow into a pot, out of which is paid the debt service on all investments that are made in Port Authority facilities, as well as to make up deficits that are incurred by certain Port Authority facilities.

ASSEMBLYMAN BRYANT: So, therefore, you do agree with me that the statute in New Jersey, throughout, talks about a unified system dealing with the Trade Center as well dealing with Path. Therefore, in essence, the only way we come up with what you call deficits when we analyze the Port Authority is by your method of accounting -- that if you combine both, they are unified; there is surplus.

MR. BENNETT: Well, let me say it this way: There is an overall Port Authority surplus, to be sure. Our method of accounting is a method that is dictated, if I may, by the accounting profession. There are accounting standards that are established by the Financial Accounting Standards Board, which we comply to, and our financial statements and our accounting system is certified to by Public Accountants and have been examined by auditors from the State of New York. In the past, they have been examined by the State Treasurer's office, and

by consultants retained by the State of New Jersey for the very purpose of determining what the level of the Path deficit is -- if, indeed, there is a Path deficit -- and what is the level of the Path deficit.

ASSEMBLYMAN BRYANT: Well, I guess the point is, New Jersey, from my reading of the statute, consistently talks about a unified program. Yet, when we talk about Path, we talk about increasing something that is going to be to the detriment of New Jersey; yet, we look at the World Trade Center and I don't see the Port Authority saying we should now re-negotiate with the State of New York, based on the fact that their lease is now unfair in today's market. And, you might not call it subsidy, but based on prevailing rates, it is an unfair advantage in terms of increasing the surplus. That should be something that is pursued with the State of New York.

I think that is the objection you will find in the State of New Jersey, when we read throughout the statute the word "unified." You keep saying we are subsidizing something in New Jersey. New Jersey is saying, yes, but at the same time we see, on the other side, the Port Authority is not asking the State of New York to now do something about what is basically a subsidy from our point of view.

MR. BENNETT: Going to the State's base, in the State of New York and the State of New Jersey, as you know there have been discussions about the State of New York moving its offices out of the Trade Center to other locations in order to take advantage of the current market value of the space. This is a matter that is being discussed between the two State governments: how to maximize the advantage that there appears to be if the State were to vacate its space and have the space rented at more current market prices, producing an additional increment of revenue flow, which revenue flow is to be used for projects of benefit to the two states. These are discussions that have been going on for quite some time. When we talk about the sale of the Trade Center, the only value that comes

from the sale of the Trade Center is the ability to vacate the State space, put it on the market, and rent it for more current market rates, producing this increment of revenue. These discussions have been going on.

Now, the unification of the two projects, the Path project and the World Trade Center, that is described in the legislation is the physical combination of the use of land area and physical facilities for both the Trade Center and the Path operation. Fiscally, or financially, both operations are separate, as are all Port Authority operations.

ASSEMBLYMAN BRYANT: That's not in our statute. That is not prescribed in our statute.

MR. BENNETT: Excuse me?

ASSEMBLYMAN BRYANT: That is not prescribed in the New Jersey statute, that we should separate the financial end of it.

MR. BENNETT: Well, if you look to the Jersey statute and the New York statute, I believe they are identical, so I will quote Section 6 -- and this should be Section 6 of New York as well as New Jersey. It describes the condition of Path and its deficit position, and it talks about revenues, expenses, and debt service to the railroad.

ASSEMBLYMAN BRYANT: But, I am saying it does not speak to the point that one must separate, nor does it require one to separate the actual expenses or revenues of either the railroad or the Trade Center.

Let me ask you a question. Did the Port Authority-- Has the Port Authority ever done a study on what economic impact the Trade Center has had on New York -- Manhattan?

MR. BENNETT: In terms of jobs and promotion of commerce, yes.

ASSEMBLYMAN BRYANT: Could you maybe give me just a brief overview on how that has increased or decreased that area of New York City?

MR. BENNETT: I can't do that off the top of my head,

but I can provide the information for you.

ASSEMBLYMAN BRYANT: Would you say it was significant?

MR. BENNETT: I would say it was significant for the region. You cannot contain that kind of activity to the tip of Manhattan. That kind of activity is contagious and it spreads and has a regional impact. I will be very happy to supply data on that.

ASSEMBLYMAN BRYANT: Would you say that the real estate, or the tax, impact upon New York was greater than New Jersey?

MR. BENNETT: No, I can't say that.

ASSEMBLYMAN COWAN: Before you get into anything further with your budgets and deficits, etc., is there any other facility of the Port Authority that you isolate and make public insofar as deficits are concerned?

MR. BENNETT: Yes, sir. We have some copies of our annual report for 1980 with us. Our 1981 annual report has not been issued yet. It will be in the next couple of weeks. But, in our annual report, we report financial results on what the accountants call "segments." A segment means a major part of the business, and we have several major parts of our business. One is airports. The other is tunnels and bridges. We have the rail, of course, marine terminals, and the World Trade Center.

If you have the annual report, on page 30 we do report the gross operating revenues and the operating income by segment. And, within segments we have facilities that are operating in a deficit position as well as in a revenue position. So, we do have, and are required to keep our accounting records in such a fashion as to report the operating results of each major segment.

ASSEMBLYMAN COWAN: How long was the World Trade Center operating at a deficit -- up until what year?

MR. BENNETT: Well, last year, 1981, was the first year that the Trade Center showed a black number on what we

call a full cost basis. That is taking into account all of the revenues, all of the operating expenses, including the debt service on the construction of the Trade Center, and 1981 was the first year that it showed a black figure, or a profit.

ASSEMBLYMAN COWAN: That now is segmented?

MR. BENNETT: Yes, sir. That computation, yes.

ASSEMBLYMAN COWAN: Mr. Bennett, do you have something further? I hope we haven't gone into too much depth with your budgetary process.

MR. BENNETT: One of the things we wanted to talk about was the Path deficit and how it is calculated. I think I kind of covered that. Path is treated like any other facility. We keep accounting records to identify the revenues and expenses with the operation, and we do this in conformance with what is known as generally accepted accounting principals, certified to by our Public Accountants, and which has been examined by New York State auditors. It is available for examination by any responsible public group, and to date, since 1962, if you just deal with what is known as the direct operating costs of the railroad, Path has incurred, since 1962, a cumulative deficit of three hundred and forty-two million dollars.

In 1981, the fare box, which is the principal revenue source of the railroad, was unable to cover the payroll costs of the people working on the railroad -- the maintainers, the carmen, the conductors, and the motormen. The payroll deficit in 1981 was some twenty-two million dollars. The full deficit for 1981 was roughly forty million dollars direct, and if we were to assign some share of Port Authority overhead, it would be in the neighborhood of about fifty million dollars.

I did talk about the separation, I think, of the Path project versus the World Trade Center project. I will answer any further questions you may have.

ASSEMBLYMAN GILL: Just reading your breakdown on page 30, it indicates an operating loss for your bus terminals and the bus program of two million, six. Is that about right?

MR. BENNETT: Yes, sir.

ASSEMBLYMAN GILL: How do you propose to recover this loss?

MR. BENNETT: The loss on the--

ASSEMBLYMAN GILL: I know this is tangential to what we are talking about, but if you are proposing an increase in Path fares to cover the loss on Path, I suppose you have a similar plan in mind for recovering the bus terminal and bus program losses.

MR. BENNETT: I will have to ask Mr. McAvey if he will help me on the bus program portion.

MR. McAVEY: In 1975, when these figures were last considered, the cost of the bus terminal -- and there are two of them -- the cost of Path, and the income from the tunnels and bridges were joined together, in the reviewers' minds, as a logical grouping. And, when Mr. Bennett talks about the deficit from these, he is talking about before any measure of debt. So, we look to those, together, to produce sufficient income to cover the debt. Nobody contemplates a Path fare that would cover full operating costs. So, they and the bus terminal must equally come from other Port Authority assets.

ASSEMBLYMAN GILL: Mr. Chairman, just one more question. In line with the questions that were asked before, and using the same financial statement, you indicated a combined profit -- or combined net income -- of one hundred and sixty-six million dollars. That is taking in all of the segments of the Port of New York Authority. Without being redundant, and talking to the question which was asked before, is it not in the spirit of the original charter of the Port of New York Authority that the total effort -- the one hundred and sixty-six million dollar profit -- more or less, to a degree, disregards the individual segments, which at one time or the other may be running at a loss? Is it the purpose of the World Trade Center to make a profit on each of its segments, or can you balance them? I guess I am getting us back to the position where if you are

saying that the segment of Path represents a forty million dollar loss, what else do you have that might be considered a subsidy that could possibly further increase the one hundred and sixty-six million dollar profit? I am back in the same-- You know where I am at.

MR. McAVEY: I would suggest you really want to talk about a number further down, the one hundred and four million -- which is after debt service -- and then the question is still there.

MR. BENNETT: The answer is -- or part of the answer, or discussion that will hopefully answer your question -- yes, the Port Authority's operation must be self-supporting if we are going to continue as an economic force in the region. It must be self-supporting. We must be able to pay all of the cost of operation, as well as to repay money that was borrowed to build facilities, with some kind of surplus, or reserve, in order to continue the process of taking on new projects of economic benefit to the two states.

Within the total Port Authority operation there are losers and there are winners. Airports tend to be winners. The World Trade Center, with the tremendous turn-around in the real estate market in the last two years, has substantially increased its contribution to net revenues.

The Path deficit -- or I should say notwithstanding the Path deficit over the years, the Port Authority has continued to invest substantial sums in the Path system, to modernize it, equip it, re-equip it, maintain a high safety level, and maintain a high level of service to our patrons. But, it is a fact that a fare of thirty cents that has been unchanged for twenty years is an unrealistically low fare, and has a negative effect not only on the Port Authority but on competing services which are being provided by the State of New Jersey.

For example, a fare from Newark-Penn Station to New York -- an individual fare, single ride -- is one dollar and seventy-five cents. A fare from Journal Square Bus Terminal

to New York is one dollar and twenty-five cents. A fare from Hoboken to New York is a dollar. The Journal Square trip and the Hoboken trip is made by bus, and most of the bus operators operating along these routes, if not all, are being subsidized by the State of New Jersey. The rail service is being subsidized by New York. It doesn't seem to make good transportation policy sense to continue the Path fare at its artificially low, low level, while you have fares around us competing for the same market at substantially higher fares, which are working to the detriment of the State of New Jersey. The level of the Path fare would not determine the level of investment the Port Authority makes in the Path system. We will do all the things that are necessary to be done. But, you have to take into account this inexorable growth in the Path deficit that will get to a point where it will tend to diminish capacity to do not only Path improvements but to do other projects in the region that are of economic benefit.

It is from that point of view that we are talking about, with the two State Houses-- We have not proposed, in our 1982 budget, a Path fare increase. We are talking with the two State Houses, and they are talking, one with the other, about the Path fare question. Frankly, when we get down to it, it is not a Port Authority decision to raise or not raise the Path fare; it is a decision that is going to be made by the two States.

ASSEMBLYMAN BRYANT: Through you, Mr. Chairman. Is it my understanding that you are saying the Port Authority is not recommending a raise?

MR. BENNETT: Well, our record of what we feel about a Path fare increase is clear; there is no question about it. But, the Port Authority cannot, unilaterally, raise the Path fare.

ASSEMBLYMAN BRYANT: I understand that.

MR. BENNETT: We can recommend to both States what we think is appropriate by way of a Path fare, by way of new

projects, etc.

ASSEMBLYMAN BRYANT: Let me ask you one last question, and it deals with -- I think it was in your opening statement -- the statement that it is one of the safest systems. Maybe it is because I am somewhat naive concerning the rail system. Do all of our best systems in this country have fires every 2.2 days?

MR. BENNETT: I am not familiar with the statistics that the Chairman read in his opening remarks. I can't comment on that.

ASSEMBLYMAN BRYANT: Well, let me ask you a question in terms of the frequency of fires. Is that a standard for our best systems in this country, to have frequent fires?

MR. BENNETT: Again, I can't comment. I don't know what the definition of fire is when we use the statistical reporting on incidents. But, the Path system provides a high level of service. Our on-time record is unmatched in the industry. We are pointed to as leaders in the transit industry by many, many -- and I would say all -- other operators in this country. Our record, I think, speaks for itself. I am not at all familiar with the statistics that Mr. Chairman used.

ASSEMBLYMAN COWAN: Is there anything else? (no response) Thank you very much, gentlemen.

I assume, Mr. Bennett and Mr. McAvey, that you will see that our aide, Larry Gurman, gets the information that was requested?

MR. BENNETT: Yes, sir.

MR. DUFFY: Mr. Chairman, will the Port Authority remain if the public is allowed to ask them questions?

ASSEMBLYMAN COWAN: I think we will continue on. We have an agenda here, Mr. Duffy, and we will continue on with that. Of course, if the Port Authority chooses to remain, fine. But, I am sure they will be amenable to any questions on the part of the public.

Our next witness will be Dr. Abraham Stein.

A B R A H A M S T E I N: I have a little problem, which I will just mention to you. Normally I hear fairly well with my hearing aid, but it was repaired recently, so now it doesn't work well at all. Consequently, I actually heard virtually nothing all morning, from where I was sitting in the front row. That also has an advantage, because it means that I don't know what the other gentlemen said, so whatever I say is still the same. However, after my statement -- which itself is rather informal and open -- if you should want to ask me questions, I might ask Mr. Gurman, or someone, to sit here and relay the questions, or I will run around -- as I do in class, right up to my students. But, you are not my students, and I will listen closely.

My name is Abraham Stein and I want to thank you for the opportunity to come here and share what I have learned about the Port Authority, World Trade Center and Path. I work as an Associate Professor of Management at Hofstra University in Hempstead, New York. For seven years, from 1973 to 1980, I served a New Jersey constituency as an Assistant Professor of Management at Montclair State College. And, I have been interested in New Jersey for most of my life. I was born in the Bronx and raised in Brooklyn. I know the metropolitan area somewhat.

I am a Ph.D. out of N.Y.U., the Graduate School of Business Administration, and the Graduate School of Public Administration. And, my three fields are business management, accounting, and public administration.

I had testified earlier, several times, first to the Joint Assembly hearing -- the New York and New Jersey hearing -- that was held, I think, in 1974. No, no, it was earlier -- about '71 or '72. I also testified before the Port Authority Trans Hudson Corporation. That is a governmental agency. And, I have testified before the State Senate Committee.

Today, I will address the following issues briefly:

First, the Path thirty cent fare.

Second, the relationship of Path to the World Trade Center, and a richer perception of the Port Authority -- an unfolding perception. We are all still learning more about the Port Authority.

Third, there are several valid and alternate ways, policies, and strategies in financing local and regional systems of public transportation.

So, these are the three issues that I will address: the fare, the World Trade Center-Path project, and how to finance local and regional mass transit.

I don't want to duplicate what I have said before, except possibly in a short way. At the April 9, 1979 hearing, conducted by the Port Authority-Trans Hudson Corporation, I gave some testimony. Now, before I mention that, I want to point out that in 1974, when the issue of the thirty cent fare came up before an ICC hearing, I planned to oppose raising the Path fare at that hearing. That was held in Jersey City. But, before I could present myself, the hearing was abruptly canceled.

In 1979, I supported the proposition that Path fares be raised in two steps, from thirty cents to fifty cents. I still support this proposition. I stressed that the economic impact on the rider would be minimal. I discussed the rapidly rising operating expenses and the slowly-rising, virtually level fare box operating levels -- revenue levels. I suggested that the continuing and ever-increasing short-falls, or gaps, between expenses and revenue might affect the financial strength of the Port Authority itself, as parent of Path, through the pooling of its revenues and expenses from its diverse sources. These revenues and expenses are pooled -- there is no question about that.

I refer you to pages 98 to 112 of the transcript of the 1979 hearing before the Path Corporation, especially pages 103 and 105. I submitted at that time -- I don't have

it with me now -- some written statements and graphs, some illustrative material, and as soon as I can locate my own copies, I will send them to you.

Now, the issues and facts -- some issues and facts -- relevant to the Path fare: There is much research and analysis that can and should be done to help you see the picture and formulate legislative policy -- I haven't had the time to do so, but let me sketch some salient points. First, the rise in personal income in New York and New Jersey -- household income; family income -- 1960 to 1979 -- in current dollars, the dollars we hold and use. New Jersey families earned sixteen and one-half billion dollars in 1960. In 1979, they earned seventy one billion dollars. So, the dollar amount went four to five times as much, in the pockets of families. I should say this was before withholding taxes.

New York households went from forty-five billion dollars to one hundred and sixty billion dollars, a four time increase. In real dollars, purchasing power, constant dollars, New Jersey went from sixty-three to ninety-three billion -- it went up, the real income of families as a whole, fifty percent. The New York families went from -- Oh, I copied it wrong. The New Jersey families went from twenty-three to forty billion, almost two times the New York families, who went from sixty-three to ninety-three billion, nearly fifty percent.

Now, part of this is due to the influx of new families. They are not all the same families. That is important to note. But, we will get to per capital income in a few minutes.

Oh, here it is: The rise in New Jersey and New York, per capita income: New Jersey went from twenty-seven hundred dollars -- 2699 to be exact -- to ninety-seven hundred dollars. New York, per capita income, went from twenty-seven hundred to eighty-five hundred dollars -- almost eighty-six hundred dollars. Part of that is due to the increased two-income families. Husband and wife both work. But, still, they pool their money and distribute it to their children, so to speak.

In constant dollars, it wasn't quite as bright as that, but it was still good. New Jersey went from over thirty-seven hundred to fifty-nine hundred dollars, per person. And, New York went from thirty-seven hundred to over fifty-five hundred dollars, per person, family income.

Now, the source of this material is the Statistical Abstract of the United States, the 1980 edition, table 739, page 446, and the data itself comes from the United States Bureau of Economic Analysis. The per capital data comes from table 740 on page 447. These figures support my 1979 opinion at the hearing, and I will quote that: "The aggregate household income of the people who travel regularly on Path is rising roughly in proportion to the inflationary rise of the wholesale price indices, the consumer price indices, and the gross national product deflators. Deflators are adjustments to show the diminishing value of the dollar -- the purchasing power of the dollar.

Now, let me offer just two pictures of the drastic change in prices that we all face, and that we must accept to make our essential purchases. If you drive into a gasoline station and the cost of a gallon is twenty-three cents, you pay it; forty-six cents, you pay it; sixty-seven cents, you pay it; one dollar fifteen, you pay it; one dollar fifty, no argument. Do you want it? You pay it. So, we gradually accept inflationary prices, even though we try not to accept the necessary rises in public revenue.

The decline in the purchasing price -- the purchasing power -- of the dollar: Now the significance of this table is that the thirty cent fare of 1962 is a twelve cent fare today, in purchasing power. I will repeat that. The thirty cent fare of 1962 is twelve cents today. Now, how did that happen? Here are numbers: 1962, '67, '73, and '80, the purchasing value of a dollar, where 1967 is the dollar, a 1962 producers' -- that is business organizations of all kinds, government business organizations as well as private business organizations -- dollar in '62 was worth 1.06, a dollar and six cents; in '67

a dollar; in '73 seventy-eight cents; and in May, 1980, its estimated purchasing power was forty-two cents.

The consumer's dollar was one dollar ten in 1962; a dollar in 1967; seventy-five cents in 1973; and forty-one cents in 1980. So, a dollar was forty cents. Thirty cents was twelve cents.

This is page 476 of the same source -- page 486: The rise in what consumers pay for transporation. My case gets more interesting and more dramatic, and less boring, numberwise, in a little while. Private cost of public -- well, let's put it this way: private transportation-- I came here in my 1978 Buick. I am going to Hempstead afterwards. I need a private car to run around from the Bronx. Ninety-three cents in '62 cost one dollar in '67, cost one dollar twenty-two to operate my car in '73, and cost two dollars and forty-nine cents in '80. In other words, consumers, if they wanted transportation, paid. Their percentage component of transportation in their total income didn't vary much.

Public transportation -- that is street buses, trolley cars, which we call light rail, subways, and railroads, or heavy rail: eighty-seven cents in 1962 cost a dollar in 1967; in 1973 it was one dollar forty-five; and in 1980 it was two dollars and forty cents. This is what people were paying for public transportation. And, I, as consultant to Mayor Lindsay's Committee to Save the Twenty Cent Fare, in 1970, have seen the twenty cent fare go to seventy-five cents. Just to make it more interesting, Atlanta wiped out all its old buses, put in five hundred and fifty brand new buses, in about the early to middle '70's, and dropped the fare from forty cents to fifteen cents, and now it has built a subway system. I will get to that.

Incidentally, the best thing that could happen to New Jersey would be a transformation in its educational policies. The second best thing that could happen to New Jersey would be a transformation in its transportation policies. And, New

Jersey's transportation policies have been developing very nicely. Okay.

Do you want to stop at average fares in the United States or should I go on? Do you want to hear that?

ASSEMBLYMAN COWAN: Yes.

DR. STEIN: Average fares in 1960, '70, and '80 from the American Public Transit Association: Motor bus fares, eighteen cents, twenty-nine cents; thirty-six cents -- doubled. Light rail -- trolley cars: twenty-two cents in '60; twenty-seven in '70; thirty-three cents in 1980 -- up fifty percent or more. Heavy rail -- that would include Path: sixteen cents in 1960, that would include the twenty cent fare in New York, which had been ten cents, which had been a nickle for the subways; twenty-three cents in 1970; and forty-six cents in 1980 -- preliminary estimates. Okay.

Now, the conclusion of this phase is, consumers earn more and pay higher prices. Fares have gone up everywhere. The Path fare is the same now as in 1962, when the Port Authority acquired it -- Path nominal fare, the fare that you see in your hand -- but the real fare, of course, has dropped. Path costs, expenses, and operating losses -- and I will have a few things to say about that. I don't agree completely with Port Authority accounting and reporting procedures -- as reflected in their cost accounting, or managerial accounting data, it has gone up. The problem is cost accounting and managerial accounting are primarily internal data, manipulated data. Financial accounting for reporting purposes, following generally accepted accounting principals, are totally different; and, yet, the two are in a sense integrated. But, you can see, I could go on for several hours, but I won't.

Oh, hear this: One caution -- accounting data compiled by any organization for its own internal cost and expense analysis purposes cannot be accepted automatically and uncritically for or as external financial accounting data by those to whom an organization must report. Now, the people to whom the Port

Authority must report are the public and its representatives. And, you are the ones who should examine the reports, analyze them carefully, draw your own conclusions and form your legislative policy. So, you have to be very careful about deciding whether or not to accept it.

Another thing along these lines -- which I am sure you understand -- is that financial analysts make their money picking stocks and bonds, evaluating companies by rewriting the account statements that they give out, and by not accepting them at face value. And, I am talking about all accounting statements of all major corporations, public corporations, on the stock exchanges. So, that is exactly what I am saying: You do not accept them uncritically. Okay.

The second issue is, the Path World Trade Center project. Three sources give the context of the 1962 Act, through their discussion of the purposes of three things: The Port of New York District; the Comprehensive Plan for its development; and the Port Authority itself. It is very important to keep in mind the purposes of the Port District, the Comprehensive Plan, and the Port Authority if you are to understand the purposes of the 1962 Path-World Trade Center Joint Project Act. These sources are: E.W. Baird, "The Port of New York Authority", published by Columbia University Press in 1942. Baird was a student of public administration. This book is a product -- an evolution -- out of his doctoral dissertation.

The next book remains to be written, and that is mine. If circumstances are right, I am supposed to rewrite my dissertation completely because it was dissected by my professors and one hundred pages were left out, and I wasn't allowed to give my views. So, the 1980 dissertation on the Port Authority, on Path and the World Trade Center, still needs to be rewritten and published.

So, the second source would be my 1980 dissertation; and the third source is my 1979 article, which I read in London. Free from my professors, I was able to give a few views that

they wouldn't allow me to state.

I believe you have copies of the dissertation and the 1979 article. Mr. Gurman has that.

Now, the Port district was defined by the two states as an integral economic and social entity, located on both sides of the complex harbor. It is an evolving system. This determination was made in 1921 at the behest of the ICC, but the New York and the New Jersey Legislators saw that it was one system. Consequently, a good part of, "what have you done for me lately" misses the point because sometimes things that are done for the Elizabeth-Newark Container Port are of benefit to New York State and New York City, and what is done in Manhattan or in Brooklyn, or in Queens redounds to the benefit of New Jersey. It is one system.

The second thing is, the Port Authority was created as a unique bi-state agency, to guide the port district development. These were both done in 1921. In 1922, the comprehensive plan, as an incrementally evolving plan and program by the Port Authority for the incremental adoption by the two collaborating states, was established. In other words, you did a little bit of the plan; you extended the plan; and you extended the plan. Each extension of the Comprehensive Plan took the form of parallel statutes by New York and New Jersey. It is the expression of how the two states want the port district to develop. It is embodied in all the statutes that give the Port Authority its responsibilities and powers.

Thus, the 1962 Path-World Trade Center project is an integral part of the comprehensive plan for the development of the port district. The World Trade Center has a vital, complex role to play; so does Path.

Now, the World Trade Center is barely-- Oh, no, it is sixty years old. It has another sixty years to go. It has been drastically transformed several times in the past. I hope it will be transformed in the future. It is starting to move into the future with its industrial development programs.--

not enough, but it is starting. So, above all, we must protect the integrity of the Port Authority.

We must see that the--

ASSEMBLYMAN COWAN: Doctor, there were three points in your dissertation this morning that you said you will be covering, and as of now you are up to the second point.

DR. STEIN: Yes.

ASSEMBLYMAN COWAN: I was wondering if you could summarize in some way, because we do have a few other witnesses and we would like to curtail this hearing this morning.

DR. STEIN: I would be happy to.

ASSEMBLYMAN COWAN: Okay, thank you, Doctor.

DR. STEIN: The quickest, fastest, easiest -- I think -- and most feasible way is to raise the fare, and it will be least expensive. It will be most easily absorbed by the riders. That is my first point.

My second point is, the accounting numbers and all of that should be reviewed at your leisure, and the apparent growing wealth of the Port Authority needs to be deflated by the fact that the dollars are much smaller now. The World Trade Center is a vital source of revenue. And, the last area that I will just go into in a flash is this: The economic vitality of the region, which is ten percent of the economic vitality of the nation, is based to a good extent on its transportation. If it weren't for the harbor, the region wouldn't be here. The harbor is where it started. The railroad junctions and terminals built it. The people came here. Consequently, since the economy of the region depends upon the transportation, the transportation's economy -- the economy of the transportation -- should be drawn from the economy of the region.

In short, the benefit of the land uses redounds to the transportation. The transportation builds the value of the land.

Now, I recommended an urban transportation benefit tax to the City of New York. It would have brought the City

one billion dollars a year. The same thing extended would have brought New Jersey one billion dollars a year, and would have saved our region from taxation of two hundred million dollars a year. Nobody paid attention. Atlanta did it. Atlanta's big airport, of course, made Atlanta the regional hub of the South -- the Hartsfield Airport.

Now, Atlanta faced the same problem of declining transportation. They didn't have the will to make the urban transportation benefit tax part of the income tax -- an override on the income tax. They made it part of the sales tax. They added one percent to the sales tax. I am not sure that was wise, but that is how they did it. They immediately were able to move ahead in their entire transportation program with the support, only for the capital side, of the Federal government -- not on the operating side.

So, my point is that there are many valid ways of solving the financial problems of transportation, but the most practical, easiest, and lightest way on the riders right now is to raise the Path fare.

I think that does it.

ASSEMBLYMAN COWAN: Thank you, Doctor.

DR. STEIN: Okay. Thank you.

ASSEMBLYMAN COWAN: Our next witness is Mr. Raymond Schwartz, President of the Path Commuter Organization.

R A Y M O N D S C H W A R T Z: Mr. Cowan, members of the Assembly Transportation and Communications Committee. My name is Raymond Schwartz of Maplewood, New Jersey. I am President of the Path Commuter Organization, representing eighty thousand commuters. Our mission is to ensure continuous and uninterrupted, safe service of the Path rail system, and to take any and all lawful means to improve commuting conditions between New Jersey and New York.

Now, the Port Authority-Trans Hudson Corporation, known as Path, is a 13.9 mile rail system, transporting, daily, some 160,000 passengers between New Jersey and New York, connecting

Newark, Jersey City, and Hoboken with Manhattan.

On behalf of Path commuters, I welcome the opportunity to make our position known. Path Commuter Organization is against any Path fare increase at this time. First, let's set the record straight with regard to subsidies. There is no rail commuter line, anywhere in the world, that can make it on its own. Every commuter line in the world must get subsidies to exist.

Now, just because the Path one-way fare has been thirty cents for the last twenty years is no reason to change it. Many people, even some Path riders, and Mr. Bennett here today, contend that the current fare is not realistic. What is realistic, a Conrail increase of twenty percent in 1980; of twenty-five percent in 1981; and now another increase of twenty percent in 1982? If this is what being realistic is, we have had enough of it.

The Path fare is part of a long-standing agreement New Jersey has with the Port Authority, similar to the agreement the State of New York has with the Port Authority for reduced rents in the World Trade Center. This agreement should be independently critically examined in all of its ramifications. In addition, it would be helpful to understand how the Port Authority keeps its books -- really keeps its books -- how revenues and expenses are allocated, and how the deficit arises, if there really is one.

I wish to take exception to some of the statements Mr. Bennett made this morning. I see he is not present, but I am sure this will find its way back to him.

Mr. Bennett said that the Path system has been referred to as, or is, one of the most modern and reliable means of transportation. Mr. Bennett used the wrong verb. He should have said "was" one of the most modern and reliable means of transportation. I don't call modern a situation where two-thirds of the two hundred and ninety odd cars have ceilings and walls filled with polyurethane foam, which is highly

combustible or a similar number of cars which have neoprene upholstery which gives off toxic gases when burning.

Reliable? We don't have to get into any statistics. Fires, smoke fires, delays -- if I weren't here this morning, I would probably still be on the Hoboken platform because there was a delay in the uptown rail service this morning too. So, I don't call Path a modern and reliable means of transportation any more.

It seems to me that if New York State got out of the World Trade Center and two million square feet could be rented at the going rate-- And I agree with you, Mr. Gill, that additional funds of forty million dollars would be generated and that would be very helpful to defray some of the Path subsidy and could be used for additional development projects. I don't see the Port Authority agreeing to kick out New York State and put the State of New Jersey in there, to the tune of two million square feet at ten dollars a square foot today.

Where are the benefits to the State of New Jersey? What is flowing back to us in all of these deals?

I also at this time need to take exception to some of the comments of Doctor Stein -- and I know if he is here he will have difficulty hearing me, but he will have a transcript available. Doctor Stein spent a lot of time telling us about demographics and the increase in standard of living, and so on and so forth. I resist telling me that my standard of living is such, and, therefore, I can afford to pay a higher fare.

Doctor Stein was referring to money before taxes, and not disposable income -- which is our take-home pay. Many of us are aware of higher taxes and bracket creep due to inflation, so a lot of that higher gross income is counter-balanced by our take-home pay, or what we have left after bracket-creep and the higher taxes that we have to pay.

Also, Doctor Stein is forgetting that a lot of these statistics are old. We are in the middle of a very deep recession now. People everywhere are fighting to keep their heads above

water, and average fare comparisons, such as fares have gone up all over, do not interest me and they do not interest the Commuter Organization. We are interested in our situation right here. I don't pay a fare in Chicago, or Los Angeles, or St. Lewis. I pay a fare to get from New Jersey to New York, so that kind of reasoning doesn't hold.

Similarly, prices have increased on all commodities due to inflation, and the argument is that therefore the Path fare can go up as well. That doesn't hold water either, because granted that the price of goods has increased, I have freedom of choice to buy or not to buy those products. On the other hand, my choice is severely limited with regard to how I get to where I earn a living.

In addition, a higher Path fare, coupled with higher New Jersey Transit fares, will only serve to put more people in cars to New York. This will happen at a time when we should be encouraging mass transit and discouraging the use of cars, to conserve fuel and reduce air pollution. ConRail, Amtrack, Path, the Long Island Railroad, and the subway system, as well as buses are all part of a mass transportation network, the purpose of which is to enable individuals to travel to and from their jobs; and, conversely, to make available a supply of human resources to New York businesses. If this supply were cut off tomorrow, New York City would find it difficult to survive as the Big Apple.

New York City, therefore, owes a big debt to mass transit. We believe the Westway project should be cancelled and Westway funds traded off for mass transit funds. These funds should then be made available to the entire transportation network serving New York. This is a monumental concept, perhaps impossible to accomplish at this time. But, we need to start thinking like this if we are ever going to solve mass transit funding problems without continually taking from the commuters' pockets.

The Path fare should remain at its current level.

Let the Port Authority look elsewhere.

I wish to thank Mr. Cowan and the members of the Assembly Transportation Committee for the opportunity to present the position of the Path Commuter Organization.

ASSEMBLYMAN COWAN: Thank you, Mr. Schwartz. Do we have any questions? Ed?

ASSEMBLYMAN GILL: You do represent an organization which is uniquely New Jersey commuting to New York, am I right?

MR. SCHWARTZ: There are a few who commute in the other direction, but for the most part that is where it is coming from.

ASSEMBLYMAN GILL: Would you agree that there is a certain amount of subsidy to New York State people on the whole by use of the subsidized rentals - I call them subsidized rentals - the below-normal rentals for the two million square feet referred to before?

MR. SCHWARTZ: Absolutely.

ASSEMBLYMAN GILL: If that equal amount of money-- I talked before about the possibility of an equal amount of money being used to subsidize Path. Would you agree to that concept, or that line of reasoning?

MR. SCHWARTZ: Could you repeat that again?

ASSEMBLYMAN GILL: Would you agree that there is probably an equal amount of money available, either in deficit form or what have you, for the subsidy of Path? We agree that Path is subsidized?

MR. SCHWARTZ: Yes.

ASSEMBLYMAN GILL: You may not agree that the cost of Path has gone up, but obviously it has. Salaries have gone up, etc. Therefore, there has to be an agreement that Path is being subsidized. If we were to take the money that is possibly available from the Port of New York Authority -- forty million dollars -- and apply it uniformly to the State of New Jersey and have it dedicated for transportation purposes, I admit it would not make a very large increase for all people

in New Jersey, but would it not be a somewhat fairer way of handling these monies than merely to subsidize a fairly limited number of people who are commuting from New Jersey to New York?

MR. SCHWARTZ: Yes, absolutely. As a matter of fact, the Path Commuter Organization does not wish to get any special attention for its people, and we all must realize that the Path Rail system is merely an extension of all the rail services that terminate in Newark, New Jersey and Hoboken, New Jersey. So, therefore, any benefits that would accrue to any of the rail riders in New Jersey, or any of the bus riders in New Jersey, as well as Path commuters would certainly be acceptable to us.

ASSEMBLYMAN GILL: You would have no objections to--

MR. SCHWARTZ: None whatsoever.

ASSEMBLYMAN GILL: (continuing) --a graduated increase if the benefits came back to all the people of New Jersey?

MR. SCHWARTZ: We are looking at the sum total of New Jersey transit, and Path is merely one factor in that entire transportation network, whose purpose it is to enable people to get to where they need to work.

ASSEMBLYMAN GILL: Very good.

ASSEMBLYMAN COWAN: Thank you very much, Mr. Schwartz.

MR. SCHWARTZ: Thank you.

ASSEMBLYMAN COWAN: We have on our agenda a Mr. Thomas Banker, Assistant Business Administrator, City of Newark. (no response)

We also have one of our local Freeholders, Samuel Kaye, from Bayonne, New Jersey.

S A M U E L K A Y E: Assemblymen, I am sorry I was not aware of this meeting until this morning, so I am not one hundred percent prepared, but I have two points I would like to make as far as the Port Authority is concerned. One disturbs me very much. It was in a circular I just received. They are going to spend fifty-eight point nine million dollars on a sprinkler system in the World Trade Center. I think this is

neglect on the part of the Port Authority by not incorporating a sprinkler system, which would probably cost one to two million dollars, when they originally built the buildings. Now they are going to spend almost fifty-nine million dollars. We can't be opposed to it because it is a protective safety measure, but maybe some of the other things they do should be looked into before they spend this kind of money.

Secondly, for Hudson County, I have been aware of this for many years , and have been trying to do something with the Port Authority, and that is to get repairs done in Journal Square under the Path Station by the Port Authority, and not by Hudson County. It would cost us quite a few dollars. I don't have a figure with me, because, as I said, I only heard about this meeting this morning. But, I can get those figures. There is a contract with the Port Authority that was signed by County officials and Jersey City officials and the Port Authority many years ago, which was a mistake as far as Hudson County is concerned, because they are utilizing that facility underneath the boulevard in Journal Square and we have to maintain that structure, which is deteriorating very rapidly. I think something should be done to either share it with us, or take over the whole operation of repairing that structure. I think this is a very important factor for the taxpayers of Hudson County. Thank you.

ASSEMBLYMAN COWAN: You are making reference now, Sam, to what particular structure?

FREEHOLDER KAYE: In Journal Square--

ASSEMBLYMAN COWAN: The Coumbus--

FREEHOLDER KAYE: Under the Columbus Bridge. I think that is the proper name, where the Stanley Theater and Loewes Theaters are, and the Port Authority building. By the way, the Port Authority building is on part of that overpass of the bridge, and I think they should be responsible for some portion of the maintenance of that bridge.

ASSEMBLYMAN COWAN: Are there any questions of the

Freeholder? (no response) Thank you, sir.

Are there any citizens present at the hearing who would now like to give testimony? Yes? Could you state your full name?

J O S E P H D U F F Y: Chairman Cowan, and members of the Transportation Committee, my name is Joseph Duffy. I a lifelong resident of the great City of Jersey City. I reside at 108 Grant Street, and I am addressing this Committee as President of the Historic Paulus Hook Association.

Mr. Chairman, I have a number of items that I would ask you to look into. The first one is -- you heard the testimony of my P.A. stating that in their report for the Path there is a twenty million dollar figure for overhead. This is a significant figure. It is almost half of what the deficit is. If this twenty million dollar figure for overhead was eliminated -- and I am not sure what that consists of, whether it is all management, a portion of all management expenses, or only those management people who are concerned with Path. As an accountant, that should be the procedure. Only the people of P.A. who are involved with Path should be in that figure. Anybody else should be excluded. This is very important: to get a full and complete statement of Path -- financial statement.

Now, I will refer to the report by Price Waterhouse in the 1980 report that you have in front of you, on page 18. Price Waterhouse says in the opening sentence: "We have examined the consolidated statement of financial position of the Port Authority of New York and New Jersey, and its subsidiary Port Authority Trans-Hudson Corporation." Normally, subsidiaries, in reports of this kind, should, in my opinion, be completely in this report. They don't have that in there. So much for that. If they come back, or if you ask those two gentlemen to come back, perhaps you can get some information on that.

Now, getting back to some more statements I have about some observations I have made: On 12/31/80, the Port Authority received, from government sources, two hundred million dollars, this is from various governmental sources, primarily

Federal government. Again, was any of this earmarked for Path? If not, why not?

Two, what has Path done to reduce the constant rises in labor costs due to unrealistic grants when union contracts come up for renewal? Mr. Bennett said that the labor cost was quite a figure in the Path operation deficit. My recollection is, as Chairman Cowan knows, that invariably when unions go on strike, PA gives Path what they want. They resist it for a while. Do you remember the strike they had about a year and one-half ago? Path gave them exactly what they asked originally. Why was this strike held? Why wasn't that done and settled? Again, my opinion is that the labor costs in Path are too high and should be looked at carefully.

Number three, note 1 (a) on page 22 of this report. It says the Port Authority of New York and New Jersey was created in 1921 -- the compact between the two states. When, in 1962, the Port Authority took over Path, my understanding is -- and perhaps this Committee has more information on this than I do -- wasn't there a provision stating that there would be a continuous subsidy of Path?

ASSEMBLYMAN COWAN: As it was stated, it was all the operating deficits.

MR. DUFFY: Yes, but it would be continuous.

ASSEMBLYMAN COWAN: It would be assumed by the Port Authority.

MR. DUFFY: Yes. It would be a continuous subsidy. So now, why are they coming back and saying, "we don't want a subsidy; we want to recover our costs," when this was part of the agreement?

Now, getting back to the World Trade Center, I don't know if the Committee is aware of this or not. When the World Trade Center was built, it was built primarily for tenants engaged in international trade. You can check this out. The State of New York is not engaged in international trade, members of this Committee. They were put in there primarily to fill

up the buildings, so that they would attract other tenants. As you all know, a tenant hesitates to go into a building when, let's say, only ten percent of it is occupied, for a number of reasons: because all of the facilities and all the utilities may not be working properly; whereas, if ninety percent, or fifty percent, or forty percent of the building is rented, then tenants would come in. This is an important factor. Mr. Bennett didn't mention that. The Port Authority was built for tenants engaged in international trade.

If you check out the tenants that are there, many of them are engaged in international trade, including the banks and so on. But, the State of New York is not engaged in international trade. Why were they given the lucrative, what I call "gift" of ten dollars a square foot?

Now, on page 18 -- oh, I mentioned about the Price Waterhouse certificate. Also, on the same certificate issued by Price Waterhouse and Company, there is an item I think you should look into, because in my judgment as an accountant I think it is important. It says here in the middle of the second paragraph -- and I will read it slowly: "The accounting practices followed in the preparation of these schedules differ in some respects from generally accepted accounting principles." It is in the Price Waterhouse report.

Now, gentlemen of this Committee, you should find out what are these accounting principles which differ from generally accepted accounting principles?

I have nothing else to say, except to say in conclusion that I think the fare of thirty cents is fair. It helps the communities on this side of the Hudson, in Hudson County. And, in addition, only yesterday I saw a report in the newspapers stating that the number of people using Path has increased, as I recall by -- what is it, eight percent? Yes, eight percent, plus. So, that is a factor. This helps our communities. But, in addition to this, it helps another important factor in this metropolitan area, and in New Jersey in particular, pollution. Every single person who uses mass transportation reduces the

pollution of using a private car. And, secondly and most important from a national standpoint, it decreases the amount of gasoline we use, which we have to import. So, on a national basis, the popularity of Path's fare of thirty cents should increase. It should be maintained as it is. Thank you for listening.

ASSEMBLYMAN COWAN: Thank you, Mr. Duffy.

Is there anyone further who wishes to speak? Yes.

J O S E P H S Z C Z E S N Y: I am Joseph Szczesny. I live at 167 York Street, and I am Vice President of the Paulus Hook Neighborhood Association.

Gentlemen, I am here because at one time I worked for the Erie Railroad. I have seen a great railroad destroyed because of too many administrative people who weren't carrying their load. I am talking about top salaries. They wanted to divest themselves of the transportation system because they claimed it was a losing proposition.

I saw where they lowered the height marker from twelve foot six inches to twelve foot on certain tractors and trailers who couldn't go through the tunnels. They either had to go across the bridge or on the ferry boats, which turned away a percentage of trucking that they could have made money from.

I saw them let the rolling stock deteriorate, as far as maintenance was concerned.

I saw them change the schedules. When the trains arrived, the ferry boats left -- which was not in effect before. The ferry boats stayed until the trains came, whether they were late or not. This was part of the movement to discourage people who lived in the suburbs from using the trains and ferry boats.

The percentage of people who could afford it, took the Path. This was the movement: get them into that Path situation and we will divest ourselves of a losing proposition as far as the transportation commuter situation is concerned.

They succeeded, then they merged the Erie and the Lackawanna, and the same thing is again surfacing. The Port

Authority took over the Path system to move -- this is the bottom line, gentlemen -- the largest amount of people in the quickest and safest way possible. But, they did just the opposite, because the Port Authority was concerned about filling the tunnels and the bridges. They talk about the Path being a white elephant; the Bayonne Bridge is a white elephant. The monies from the Port Authority are carrying the Bayonne Bridge because it doesn't pay for itself.

The same thing applies here. They sold a bill of goods to both Legislatures -- New York and New Jersey -- that they would carry the Path transportation, and they would also seek to have a better mass transit in the State of New Jersey.

Under the previous Governor, we put the fox in charge of the chicken coop. We took a fellow from the Port Authority and put him in charge of mass transportation, and the way he was programmed was, get them into the tunnels and get them to the bridges. Don't worry about the trains, they can move three times as many people, and faster. We should concentrate on, in our subsidies and tax monies for the railroad, exactly what are we subsidizing? If it is the road beds that aren't correct, let's make sure that money goes toward fixing the road beds.

You gentlemen, from what I understand, have free passes to ride the transit system in the State of New Jersey, is that correct as far as the trains are concerned?

ASSEMBLYMAN COWAN: That's correct. We are eligible for them; that doesn't mean that everyone has them.

MR. SZCZESNY: No, but I am saying I believe that maybe one percent, if that, of you gentlemen on this side of the river ride those trains, to get an insight. We have a fellow who wants to run for the United States Senate. He is a millionaire, and he is taking menial jobs to see what it is like to work these types of jobs. You will never know unless you ride that transit system how it is operating.

With all the subsidies, our bus system in Jersey City has deteriorated. Saturdays and Sundays you don't get

any buses. They used to be supplied by the Public Service.

We took over a white elephant from the Public Service -- the State of New Jersey did -- and we are subsidizing it, again with taxpayers' monies.

Suppose I don't use that bus? Should I be penalized tax monies to subsidize that bus or that train? With all our technology and all our computers, I think, gentlemen, what we have to do is sit down and figure what the bottom dollar is to give us a fast-moving transportation system. If Japan can have it and France can have it, and they move millions of people--

When I hear the professor talk about what happened in Georgia, it would never have happened if we didn't have Carter as President, to get that airfield and that kind of transportation. That money was funneled there because he was President, and the people that were brought into Washington made sure that went that way.

I am concerned about what is happening here. We took the controls off the gasoline because President Reagan said it was tying down the oil companies. Now, all of a sudden, we notice that the prices are falling on the price of gasoline. We get a new Governor who wants to, again, tax us five cents on a gallon for gasoline in order to fix potholes and roads. Why? Why should we be, again, subsidizing fixing potholes, etc. if we are not controlling -- the Legislature is not controlling its tax dollars? A dollar's pay for a day's work. I have been in labor; eventually labor, if it continues in the pattern it is going, will kill the goose that is laying the golden eggs, because there won't be any money there.

The fact is that in most families husband and wife have to go out to work, and this, again, is creating another problem, because that tender, loving care that the wife is supposed to be giving to the children isn't there, plus it puts that family into another tax bracket.

My dad, with no education, said the principle of

unionism was great for one purpose: one job, and the conditions to meet the needs of the family -- that is schooling, purchases, and so forth. What we are doing is, we have some families where the husband is working two jobs, besides the wife working. We are not solving the problem. One job.

But, let's look at the whole picture: If we are transporting thousands of people into New York to go to work in various businesses and corporations, let's sit down with those businesses and find out what their needs are. Can we minimize this transportation across the State of New Jersey into New York? Can they move over here? That same subsidy we are giving to transportation can then be used to subsidize the tax situation if they move here. We are not doing that.

Pesin also mentioned the fact that we are getting an influx of people from New York -- brownstones, and so forth. The poor people cannot afford to pay the four and five hundred dollar rents that they are paying in New York. They are being squeezed out to God knows where. There is enough empty land here, so that if developers want to build here, let them build on the empty land and not displace people who are already in buildings. It is the same squeeze that the Port Authority is using with the Path situation.

Also, being a fireman, I am suspicious of all these fires. Again, is this a ploy by the Port Authority to push through an increase in fares so that they can recondition the Path system? Everybody is forgetting the short distance the Path system is taking in comparison to New York. If you pay seventy-five cents, you can pretty near ride all around New York -- to the Bronx and so forth. And, you can also get a transfer to take the bus system. We go from Jersey City to downtown, and the other lengthy part is to 33rd Street. In size of rail movement and the amount of people that we are moving, for that price are we wrong? Or, are we again going to push the people into cars?

Duffy mentioned the strike. The strike lasted as

long as it did and I will tell you why, gentlemen. The Port Authority was gaining one dollar fifty per person using the tunnels and the bridges to get to work, the people that normally took the Path system. They were making money. They were making money; they weren't losing it. But, they weren't putting it in the same pot.

Now, they are separating the Path System from the whole Port Authority system. It is like having your cake and eating it, when it suits them. And, when it don't suit them, "We will take the bad part out of it." All right?

I say dig into it further. When the Port Authority refused, under Austin Tobin, to open its books to the Congress of the United States, that, in my mind, said one thing: we had a power within a power because nobody went to jail. And, the same ballgame is continuing -- just different players and more and more money from the average taxpayer. Thank you, gentlemen.

ASSEMBLYMAN COWAN: Thank you. We will recess the hearing until 1.30.

(lunch break)

AFTER LUNCH

ASSEMBLYMAN COWAN: We will reconvene the hearing. We are running about eight minutes late. That is a little better start than this morning. We had hopefully thought we could be punctual, but sometimes things happen that we just can't avoid, and we appreciate everyone's patience with us.

At this time, we will continue on with our hearing, and this afternoon is devoted to a hearing on the Path fire incident, particularly dealing with the March 16th fire and other safety factors that can be related to the total entity

in dealing with the safety procedures and regulations in the Path system.

I would ask at this time -- I see we do have Mr. Schwartz, Raymond Schwartz, who was here this morning. Raymond has been very patient with us all day, so I would appreciate it if Raymond would come up, please.

R A Y M O N D S C H W A R T Z: Mr. Cowan, and members of the Assembly Transportation and Communications Committee, my name is Raymond Schwartz of Maplewood. I am President of the Path Commuter Organization.

Two weeks ago today, on the morning of March 16th, I sat in an ambulance with an oxygen mask over my face, breathing oxygen for twenty minutes. When I related to people how rough it was, some of them say to me, "I can imagine." And, you really can't imagine unless you experienced the inner panic, the hopelessness, the inefficiency of the crews, the lack of communication from Path control. We were just left there, all four hundred of us, and were it not for a set of circumstances, which I will go into later, I wouldn't be here today, and probably most of the other four hundred odd people wouldn't be around today either.

So, I would like to relate to you my experience that morning on board the Path 7:03 A.M. train from Hoboken to 33rd Street, so that you will have a sense of how close to disaster four hundred commuters came.

The train left Hoboken at 7:05 and at 7:10, we came to a stop under the Hudson River. The moment we stopped, there was smoke in the car. I was in the next-to-the-last car at the time. For the next ten minutes, until about 7:20, nothing happened, except we were there, the power was turned off. When it went on again, we had no announcements. We didn't know what was happening, and some people showed some signs of being somewhat panicky. I want to make it clear that at no time was there any real panic evident. That is a real testimonial to people working together and encouraging one another. There

was a pregnant woman on board. There were a number of asthmatic people who had a great deal of difficulty in breathing, one of whom I put my arms around at the last few minutes to encourage him to hold on. There were a number of women who were crying and saying they were scared and they didn't want to die. If I can communicate some of these things to you-- I am sorry that the Port Authority isn't here to hear them, but I have also testified at their closed inquiry in the same manner.

We are at 7:20. Fortunately, there was an off-duty motorman on board who was riding in the last car, and when we stopped and smoke was apparent, he moved forward to see what was happening. When he came back, I suggested that he make some kind of announcement to tell people what was going on and to give us some reassurance. He proceeded into the last car and got on the intercom, and he did that. He made a short statement, reassuring us. And, that was the extent of it.

At that point, we were at about 7:25. Still, no announcement had come over the loud speaker system, and I got up from my seat in the next-to-the-last car and went forward one car to see what was going on there. I opened the door, and the tunnel was full of smoke. I proceeded into the next car, and the car was also full of smoke, so there was no place for the people in our car to go.

I went back to the next-to-the-last car, and mind you I am just a passenger, and I suggested to everybody: "get on the floor, because we will breathe better there." A lot of people were having difficulty breathing, although the smoke at that time was not too dense. So, everybody got on the floor. This was about 7:25. I went into the last car, because I knew there was a radio there to Path control. I got into the motorman's little cab there, and the motorman's name was John Redman. I sat down on his seat and together we were in front of that radio. At times I commandeered the radio and was told a few times to get off the radio. But, at any rate, we tried to

find out what was happening, what we should do, and where the firemen were.

About 7:30 or 7:35, Path control came back -- and I am saying this is a radio to Path control, probably in Journal Square headquarters, I'm not sure. But, at any rate, an announcement came through to the motorman to evacuate us through all the cars to the front of the train. This was our first attempt at evacuation. So, what we did is, we got up and we started moving forward. When we got out of that last car into the next-to-the-last car, it was pitch black. If there were emergency lights operating at that time in each corner of the car, we were not aware of them because the smoke had obscured them totally. I couldn't see my hand in front of my face. I asked motorman Redman where his flashlight was and he didn't have one. Some of us banged into those posts that stand from floor to ceiling in the center of the car that you hold onto, kind of strap-hanging fashion.

We didn't know where we were going. We couldn't see. We moved ahead two or three cars and then we ran into a whole bunch of people coming back, half crying: "We can't get through; we can't get through; it is no use; it is the end." We turned around and we had to go back to that last car. We couldn't get through. When we got back to the last car, it was about 7:40. At that point, I asked radio control, "Where are the firemen? Where are the police?" And, they said they were having trouble getting down into the tunnel. Also, they had no Scott packs. A Scott pack is a smoke mask with oxygen tanks on the back.

We waited another five minutes, and now they said they were having trouble coming down the escape hatch because passengers were streaming up the escape hatch. There was no way to get firemen down.

At about 7:45 -- now we had stopped at 7:10; we were now at 7:45, so we had been in those smoke conditions for about thirty-five minutes -- some more instructions came from Path

control to go forward again. This time we moved forward a few cars and I still couldn't see where I was going, and I fell over some people on the floor who were crying: "It is the end; we are giving up; we can't move forward anymore." The way was blocked and we couldn't see which way to go. We had no idea whether there were flames ahead of us that we had to go through. I mean, there was not even an announcement. In this electronic age of data processing and systems, apparently we were in the middle ages as far as rescue was concerned.

We went back again to the last car, and we were back there about 7:45 or 7:50. We were on the floor, encouraging one another. They were telling us that the firemen still could not get through to us. One of the young members of our group decided to test the tracks in the rear of the train. We thought that maybe we could get on the tracks and make our way back to Hoboken under the river. He jumped down to the track and it was impossible to proceed because the tracks were full of smoke. He was back in the car in another fifteen seconds.

Another suggestion we threw at Path Control was: "Why don't you bring up a car behind us and evacuate us into that car, which would be free from smoke?" They explained that the power was off. They couldn't turn the power back on because people were on the tracks and they were afraid of someone being electrocuted; so they were not able to do that.

I might mention at this point that several times I was told to get off the radio, and I agreed that I was not authorized to be on the radio, but I would expect someone at that end -- and this would be one of my suggestions later on -- that someone be trained in panic psychology, to be able to talk people through a crisis instead of yelling at them. What we needed at that point was reassurance that help was on the way.

Finally, we were told that the firemen and the police had come down to the tracks. That was almost 7:50, and forty minutes after we had stopped in the tunnel. We were waiting, and we didn't hear anything. So, motorman Redman decided to

go forward and find them because he was afraid that if the forward cars had been evacuated, they wouldn't think to look in the last car. Apparently, the intercom wasn't working anymore. So, we had no way of informing anyone that there was a pretty sizeable group in the last car.

Redman went forward and he disappeared for about five minutes. At that point, I was talking to radio control, and finally Redman came back; at roughly at 7:55 or so the firemen broke through. We could see that there was a group of firemen and policemen. We couldn't tell how many of each, because it was very dark. They had flashlights, and only two of them were wearing Scott Packs. Two of our group were pretty far gone and the policemen took off the mask -- both of them took off masks and put the masks on these people and gave them some help.

We then started to move forward, and they said: "Okay, you can make it through." We started to move forward through the train and got to the first car. I was astonished, the first car was clear of smoke. We descended to the track by means of an old rickety ladder that pre-dates the middle ages. You had to turn around and descend it backwards.

Once on the tracks, the tracks were perfectly clear, and the firemen explained that the currents in the tunnel at that time had been blowing the smoke to the rear.

Now, obviously, we are in touch with many commuters. I sampled the opinions of many commuters who were caught in different cars on that train. One of the things I would like to mention is that a few commuters came down to the track at 7:50. At that point, there were no police and no firemen on the tracks. I asked the police department of New York and Path and the Port Authority just two big words, "How come?" That meant that until 7:50 or 7:55, one motorman and one conductor were attempting to evacuate four hundred people, an impossible accomplishment. While doing that, there was no one maintaining

any kind of communication with the rest of the passengers, because these two people of the crew were on the track at the time and they could not control the commuters.

Finally, at 8:20 I made my way to the street through that escape hatch. It was about fifty feet straight up, and a number of people collapsed when they got up there, from a combination of the smoke and exertion of climbing vertically fifty feet after having breathed, for almost an hour, a heavy concentration of smoke.

The near disaster raises a number of questions that need answers:

One, could the fire have been prevented by a more frequent inspection and maintenance program? And, I have something to say on that subject.

Two, why did Path officials wait so long -- nineteen minutes -- before alerting the fire department? We have proof that that is so.

Three, why did it take so long for firemen and police to get to the tracks?

Four, why did it take over an hour to rescue commuters trapped in the last car, where I was?

I want to answer, in part, that first question about maintenance and inspection. I think, frankly, this is a bombshell. I have been in touch with the Federal Railroad Administration and the National Transportation Safety Board. Prior to April 30, 1980, self-propelled cars, which are Path cars, were required to be inspected every 30 days. On April 30, 1980 the rules and regulations were changed. This goes for the country at large. Inspection for these cars was extended from every thirty days to between sixty and ninety-two days, which meant that instead of every thirty days, Path could go ninety-two days before inspecting a car. This, with a bunch of cars that are old as well as new -- you inspect them at the same intervals. How does one expect to prevent these fires and maintain safety if we don't inspect them more regularly? I lay this at the door of the Federal government, because it is the Federal government

How does this come about? The railroads asked the Federal Government for relief. Path is a special situation operating under some of the longest tunnels in the country, tunnels built, perhaps, seventy years ago that are extremely narrow, and one of the problems in evacuating people from those tunnels is that you cannot go around the sides of the train. You either go through the train or you approach from the rear or the front.

Now, operating under those conditions, it would seem to me that if Path and Mr. Sagner wanted to maintain safe conditions for commuters, they would inspect those self-propelled cars and all of their equipment at much more frequent intervals. This is not only a recommendation that our organization makes, but a demand. We are demanding that all Path cars from here on out be inspected every thirty days. The problem is that the cost to human lives is not considered. It is only the cost to the railroads that are considered and again the old subject of deficits comes up.

In the face of very frequent smoke conditions and fires, Path still clings to this ninety-two day inspection. In July, 1981, there was a short circuit and fire. In October of 1981, the same thing happened. On March 16, 1981 that was the ill-fated train, the near disaster, that I was on. On March 16, 1981, in the evening, there was another fire in a different Path tunnel on the very same day. Now, how can Mr. Bennett or Mr. Sagner maintain that they are operating a safe railroad? In addition, both Port Authority and Amtrack have admitted that the existing fans and ventilation shafts are inadequate for removing smoke and fumes in any emergency.

Now, we have a few recommendations based on our talks with the National Transportation Safety Board, the Federal Railroad Administration, and other people who know about trains and just a lot of common sense.

First, it is almost impossible for a crew of two to evacuate any kind of train. Because, in the evacuation, they leave the train, and they leave communication, not only with Path control, but they desert the communication with the rest of the passengers. We are recommending that there be oxygen masks, Scott packs, for all crew members. If there are two, fine, it can be locked up in the cab with the motorman. This will enable them to work under adverse conditions of smoke, fire and

so on. You cannot expect them to work under such conditions without that kind of protection.

Secondly, I now carry a flashlight every day when I take the Path, or whenever I have the courage to take the Path. They need to have more flashlights, so one can see what is going on. There should be a two-way transmitter in every car, which can be activated by the conductor or engineer during an emergency, allowing a two-way conversation with commuters. When the train stopped, and the car is filled with smoke, the conductor from the first car moved through two or three cars to find out what was wrong. It could have been the last car. Now, if he could cut in a two-way communication system, a commuter could grab that and tell them, "Hey, there is a fire here. What should we do." It is just common sense. When you have two people you need to be able to communicate two ways.

In addition, a system is needed whereby Path control can talk to commuters directly. Over their radio there should be a hook-up between the Path control radio and the commuters in the event the crew has to leave and some of us are left on board, Path control can have an expert in evacuation psychology talk to us.

As far as the train crews are concerned, we want information. Ignorance causes panic. We need to know what is going on. We need reassurance and we need instructions as to what to do. "Get down on the floor," should not come from another commuter. It should be the first thing that a trainman says to his passengers.

We need to have at Path control someone who knows how to handle emergencies. It is like having someone who can talk down an airplane and who is trained in panic psychology. Some of these are easy to put into effect.

However, additional ventilation shafts with large ventilation fans that can be reversed to exhaust fumes and smoke are needed, and were recommended. They were recommended by the National Transportation Safety Board on January, 22, 1981,

after a long set of hearings and after the disaster of the San Francisco Bart Subway System.

The National Transportation Safety Board also recommended improved mobility within the long tunnels when the power goes off, to bring in rescue workers to extricate stranded passengers. We could have all been evacuated, or gotten help a lot more quickly if they had a battery-operated something - some kind of vehicle - to approach us from the rear. The moment the power is off, you can't move anything in those tunnels. But, if it is battery operated, or does not cause combustion of any kind, you can bring up that kind of vehicle behind. It could have Scott packs; it could have emergency people; it could even have doctors. That train could have come to us from Hoboken in maybe four minutes.

Now, we have a couple of hypothetical situations. What if on Tuesday, March 16th, that same Path train had caught fire and been crippled one thousand feet further back under the Hudson River. What if the highly flammable polyurethane foam insulation in the hollow walls and ceilings of the cars had burst into flame, as happened in the disastrous Bart San Francisco fire in January, 1979. And what if, in addition, the neoprene upholstery had caught fire and poured forth toxic gases? What if, on the same morning, the ill-fated train had been assigned to leave Hoboken at 8 A. M. instead of 7:03 A.M., at the peak of the rush hour with standees wall to wall. I can assure you gentlemen that in any of these eventualities, we would have experienced a disaster the likes of which the area has never seen, with hundreds of fatalities.

Considering the huge cost of making the Path rides safe, perhaps now is the time to consider the feasibility of a hydrofoil ferry operation from Hoboken to New York. There is a great sense of urgency here. Every single day 80,000 commuters are putting their lives on the line when they set foot on Path cars. The next time we may not be so lucky. I want to thank the Committee for allowing me to make this statement. If you have any questions, I will be happy to answer them.

ASSEMBLYMAN GILL: Just one. From your investigation, have you determined what the cause was for the fire you were involved with?

MR. SCHWARTZ: As far as I know, the Port Authority is not saying. I have no idea. However, the fire was in a middle car, perhaps the fourth car from the front. And, I neglected to mention that in going through that car, there were a number of firemen in that car, and as I approached the center of that car, there was a huge, gapping, smoldering hole in the car, and a fireman grabbed me and made sure that I didn't stumble into that huge, very hot, gapping hole. There are two opinions on that, one is, the fire was a short-circuit in some of the equipment underneath. Now, whether that fire ate through the floor of the car is doubtful. I hear from some sources that the fire department had to cut through the floor to get to the fire, but they could not extinguish--- They extinguished it, but they could not eliminate the smoke. So, what we had was a smoldering, smokey fire with practically no flames at all, fortunately.

ASSEMBLYMAN COWAN: All right, thank you very much, Raymond.

MR. SCHWARTZ: Thank you.

ASSEMBLYMAN COWAN: We do have a visitor from the great State of New York here today, from the New York City Fire Department who has agreed to come over and testify before the Committee, Deputy Chief John Rossi.

J O H N R O S S I: I was asked to come and testify about the fire that we had on March 16th, to give you some background on it.

Some of the things mentioned by Mr. Schwartz I would say were right. It was a serious condition. It could have gotten more serious, but in many ways we were very lucky. We received that call about 7:30 that morning. If there was a delay, we would have to look at the tapes. The Port Authority is doing an investigation to see if there is a delay in it.

We were hindered by that substandard exit on West Morton Street that the people used, which was approximately 50 feet from the stalled train. It is a substandard exit. It has a spiral stairway. Only one person is allowed at a time or can go up the stairway at one time. And, when we arrived, people were coming out of the exit and we were unable to come down. In order to get our men into the tunnel, we had to go about 1500 feet over to Christopher Street and go down the station and walk through the tunnel to where the stalled train was.

When we got down there, we did see fire in the floor; we did extinguish the fire with extinguishers, and we did have people beyond the fire, that is, on the Jersey side of the fire. After the fire had been darkened down with the cans, they did bring the people and exit them up through the vertical shaft. This fire showed that there are a lot of things that we feel we need improvement with PATH. We have asked for these in the past, and they would tell us it is down the line, they are looking into it.

First of all, that substandard exit on Morton Street, we have to upgrade that. If we have another fire in the tunnel, we will have our problems. We have to upgrade the communications. At the present time, there is no communications in the tunnels. Our handi-talkies will not work in the tunnels. That was a problem at this fire. We knew we had something down there, but we were not sure where it was, what was on fire, what was the situation until we got our people on the scene and then we were able to communicate verbally among ourselves. We asked the Port Authority to upgrade their communications system, their exit system, and their ventilation system. At this point, the movement of air, I should say, is controlled by the movement of the trains.

When we do have a fire in the tunnel or in a shaft like this, the smoke will sort of hang on you, and we have to control the smoke. These fires are not serious in terms of heat. It is the smoke, the toxic fumes, that is going to kill the people. We have to have a way of controlling

this smoke. We want to push it away from the people and push it away from where the people are moving. We recommended that to the Port of New York, Path people and we also want a water supply in the tunnel. That tunnel is 5,000 feet, and there is no water in it. We asked for a wet stand-pipe system. That is, when we eventually do walk down that tunnel we will have water. In this other fire, we had to drag our hose from Christopher Street to Morton Street, and then we hooked up to a dry stand-pipe system, which is a system from the top of the exit to the base of the shaft. And, we hooked up there. If we have something in the tunnel, we have to drag in our hose, so we asked for a water supply system.

Another point we felt we should make is, the Port Authority should or the Path people should inform the public as to emergency procedures. New York City was hesitant on this point for a long time. They felt they didn't want to tell the public what to do, because they were afraid of it. Finally, New York City has posters in their subway cars informing the people what to do in an emergency. We feel that Path passengers should be informed what to do in emergencies.

Are there any questions on that?

ASSEMBLYMAN GILL: Just one, Chief. You are talking about the needs for Path in updating the communications system, exhaust system, and the water supply in the tunnel. Are these safety measures in fact in the New York City subway systems now?

MR. ROSSI: Yes. New York City, but not Amtrack and not Long Island, but they are in the New York City. In our tunnels we have water and ventilation.

ASSEMBLYMAN COWAN: In that relationship, when you say you have all of those, have you at any time had such an incident in the New York City subway system?

MR. ROSSI: Not in the tunnels. We have our fires mostly under the streets. We have not had a serious fire in a tunnel.

MR. SCHWARTZ: Mr. Cowan, I wonder if it would be in order for me to ask a question.

ASSEMBLYMAN COWAN: As long as the Chief is willing to answer you.

MR. ROSSI: Sure.

MR. SCHWARTZ: You talked about recommendations made to the Port Authority. In what form or manner were these recommendations made? Were they in writing? Who got them? Did you get a written response, or what?

MR. ROSSI: There is a Committee between Path in Jersey City and New York City. They have formed a Committee and these recommendations were forwarded to Path.

What I understand is, it is down the road five or six years.

ASSEMBLYMAN COWAN: When were these recommendations submitted, in 1981?

MR. ROSSI: I would say somewhere in 1981, yes. I think the only one they are going to put in right now in two or three months is the communications. They are putting in the hard wire, and a new type communications system. I think we should have that in two or three months.

ASSEMBLYMAN COWAN: Thank you very much. I wonder, Chief, if the recommendations you have made come from your own City Fire Department? If so, could you submit to us what you also submitted to Path, please?

MR. ROSSI: Okay, fine.

ASSEMBLYMAN COWAN: Thank you, Chief. We also have someone from Path who is here to make a statement for the Port Authority, Greta Kiernan.

G R E T A K I E R N A N: Good afternoon, Mr. Chairman and members of the Committee, I believe you know what I am about to say. You received a letter from Chairman Sagner, I believe it was last week, in which he indicates full cooperation with AR-22, and any facts you want to know about our financial side of Path, you are welcome to have. But, the Port Authority at this time did not feel we could come here and comment on the fire, because we are going through a study ourselves,

plus two other studies on the national side to find out exactly what happened that day. I heard Mr. Schwartz mention that he had been asked to testify before the Port Authority Committee. As soon as that material is coordinated and some decisions are made with it, we will be glad to share that information with you, but as it is an ongoing study, we felt we could not comment on it today.

ASSEMBLYMAN COWAN: I understand that the National Transportation Safety Board and the Federal Railway Administration, along with the Port Authority is investigating this and writing out an inquiry, right?

MS. KIERNAN: Right. Members of both Path and other members of the Port Authority are studying it from our side, and we are also cooperating with their investigations, too. The safety of our commuters is very important to us.

ASSEMBLYMAN COWAN: With the federal investigation. Is the New York City Fire Department being included in this in any way?

MS. KIERNAN: I believe they have been interviewed by the Port Authority. I am really not certain. Thank you.

ASSEMBLYMAN COWAN: Thank you.

ASSEMBLYMAN GILL: Just one question. Greta, when do you think the results of these various investigations will be available to us, or be completed?

MS. KIERNAN: I would guess in a few weeks, I would say. It takes several weeks for this work to get coordinated, and I would say maybe five to six weeks, but it is only a guess. As soon as we have them, you will have them. I can guarantee it. I will watch out for them myself.

ASSEMBLYMAN COWAN: Thank you. Our next witness is the Chief of the Jersey City Fire Department, John Mullins.

J O H N M U L L I N S: I have Battalion Chief Polakoski with me. He serves on the Liaison Safety Committee that we function on with the Port Authority, so he is familiar with some of the things as well as I am.

I would just like to say that I have heard some unfavorable things in reference to that fire, but I would like to start off by saying in all justice to the Port Authority and the Jersey City Fire Department's relationship with the Path - and I refer to it as the Port Authority - we have within the past year come to a point where we feel that we have a reasonably good working agreement. It always wasn't that way, but I would say as a result of the tragic fire in San Francisco in the underground system, probably due to some government prodding, things have changed in our relationship with the Path.

During the past year, a Committee was formed, a Safety Advisory Committee, since the Path passes through several New Jersey communities, the Chiefs or representatives of the Newark, Harrison, Kearny, Hoboken and Jersey City Fire Departments are part of this advisory board, and we also have two chiefs from the New York City Department. We have had several meetings, and I would say that based on recommendations and things that we have suggested, they are going along, but at this point, many of their improvements I would classify as cosmetic. They are doing a lot of work improving the condition of cars. They are adding rolling stock. They are improving the lighting system in the tunnels; they have attempted to clean out the stations, and do better track maintenance, and we pointed out at our second meeting that this is all great and good, but the objective and the role of the fire department is not to put out the fire, but to prevent the fire from starting.

We felt that there should be a greater emphasis on upgrading the electrical system, which is the backbone of the underground railroad, and we were informed that they didn't put high priority on that, but that the fire service would, and as a result, as Chief Rossi had said, that is the last priority they have established, because of the tremendous cost of upgrading the electrical system. Most of it is eighty years old, since the beginning of the Path, and this is where the problem is. It lies with faulty electrical circuits, electrical switching equipment and this is what we feel, members of the fire service,

that the priority should be placed upon improving of the electrical system.

I read a press release one of the gentlemen had, and I have some records here of fire incidents that the Jersey City Fire Department has responded to, and it is a computer read out for 1981, and we have responded to incidents at the Path 35 times. Of these, 20 were directly related to the electrical problems and problems within the system underground. This is one of the things that has been giving us a problem. We feel that they try to do too much of their own firefighting. I and Battalion Chief Polakoski have voiced the opinion that one of these days you are going to try to put it out and you are not going to be able to and by the time you call us, you are going to have a really serious problem. You can see here, if they admit to 138 fires in 1981 and we only went to 20 of them in the underground part of the system, that somebody is doing a lot of firefighting and this is maybe one of their problems.

We thought we had a handle on this, and everytime we have gone to a meeting--- In fact, we have had several meetings and it really gives me the horrors when I come to work in the morning and I pick up a paper, and it says, "Smoke Halts Path Again." The first thing I do when I get to the office is call and ask what our involvement was in these fires, and they will say there is no record of the Jersey City Fire Department ever having been notified. We have told them, "All we want is for them to notify us." If they would notify us and say we think we have a thing and it is very minor, it is no problem for me to dispatch one piece of equipment and take a look and back them up. If we don't need them, send us back. We have tried to impress that upon the Path many, many times. That is one area we are apparently having a problem with. We can't get this across to them. We will probably have another meeting next week trying to resolve this once more.

You can see our concern. When you deal with fire everyday, this is a big thing. A person in the kitchen starts to put

the fire out himself, and eventually you have the house gone and maybe multiple deaths. It works the same with the Path, only they are dealing with hundreds and hundreds of people. It is no problem for us to respond, even if it is a smoke condition. We have experts. This is our field, and we feel that we will assist them and root out the source. If there is a smoke condition, there had to be a fire of some type, and this is our business, and we want to be there. But, for some reason, we do have a problem with that.

As has been previously stated, there is no ventilation in the Path system. They rely upon a piston effect. As a train goes through, the train pushes the air and this accounts for circulation of air. We have problems with this. Sometimes we will have a fire in the grass outside of the portal up at Croxton yards, and with the heavy smoke, as cars go into the Path, they carry the smoke right over to the Hudson Terminal with them. We may get a call along the way that we have a smoke condition at Exchange Place, and we will go down and do checking back and we will find out that there is a fire out in the open air.

But, this is the only type of ventilation that we have in this system. When we do have a fire--- We have had serious fires over the years, and when you get electrical equipment burning with insulation, there will be heavy, toxic smoke and there is no way to get that smoke out of there. This is one of the priorities that should be addressed, having a ventilation system installed within the tunnel.

I had a call this past week from Mr. Augie Cerio who is one of the people responsible for the safety in the tunnel, and he questioned me. Apparently he had a little heat from New York City, and he questioned me about what would our involvement be if they were to install a wet stand-pipe system throughout the system from New York City across to Exchange Place in the underwater section. I told them this would be a great aid to us. We have been in the Holland Tunnel and we respond to the Holland Tunnel and this would be a ready supply of water.

When we refer to a wet stand-pipe, it is a pipe system with outlets every so many feet that we can go into and hook in our hose. Apparently they are listening to somebody and they are giving this some consideration because in the event of some type of fire underground, under the river, we are going to have a very difficult problem getting our hose and a water supply down there.

The exits - when they speak of the exits, there are emergency exits. In Jersey City, we have one at Washington Street. This is an acceptable type of emergency exit. It is not the best, but as I say, it is there. It was put in when the system started. We have used this on occasion to gain access to the tracks, and it is acceptable. At Fifteenth Street on the line going between Pavonia Avenue and Hoboken Station, there is an exit and they have problems in New York, but when we have to use this to evacuate people, this is a condition that many people can't understand. At that location, the trains are not run parallel, they run one over the other. It is a very unusual situation. I didn't build the railroad, but this is the way it is. So, we have already had occasions where you go down a spiral staircase, or a narrow staircase, similar to the New York side, and you come to one roadway, and we have had men go down and you wear a Scott pack. It sticks out on the back. It is a pretty cumbersome thing, but it is going to save somebody's life. But, when you get to the first roadway, if the fire isn't there, and it is in the roadway below it, they have a manhole, and you take the cover off, you take off the mask and you go down. You can imagine how it will be to try to get people out of there. It is impossible. But, this is the way we would have to go down to the second roadway and perform our firefighting. In the meantime, we would probably have smoke coming up out of this and toxic gases, and you have to go through without anything on because of the size. One of our strong recommendations is that this Fifteenth Street emergency exit be repaired or replaced in some way. Right now, it is very ineffective as an emergency means of

egress from that tunnel. We have had to use them. I have an incident here. We had to use it last spring. We had a fire in that section.

So, we can't say the Port Authority is all bad. They recognize the problems and the reason we were having these meetings of the Safety Committee is to try to improve operations.

With regard to our Department, speaking for ourselves, on the Jersey side, once a year we run a familiarization tour. We take the men who would respond to any fire in the Path and we spend four days. The Path gives us their time and they give us the officers, and they take them on a tour of the complete facility. We do some pre-fire planning. We do this once a year. We familiarize everybody with the conditions they are going to run into. They are not good, but with this much we are prepared to run these drills.

For the first time, as a result of our Safety Committee, we have arranged, during the month of May, to possibly run a simulated drill under the river. This is the first time it is going to be done. It is going to be done on a Sunday. We will carry equipment in, and New York City will come in from the New York side and we will fight a simulated fire. When we get all the bugs out of this operation, I am quite sure we will conduct it as we do with the Holland Tunnel, and twice a year we will run simulated drills and we will be prepared in the event of any type of serious fire in this area.

As far as equipment, most fire departments are supplied with a half-hour Scott air pack. This will give us twenty minutes at most of service in a serious fire condition. This would just about bring you to a fire scene and you would be running out of air. They have come on the market with a one-hour type Scott pack. It will give you twice the working ability. Now, the Port Authority has bought several of these. They have also bought a re-breathing type mask, bio-pack; they have them on hand for our use in the event we do run into a serious situation. We have been able to get some funds ourself. We have about six of them.

The conditions are very serious. We did run, during the spring, a simulated drill. The Port Authority coordinated the whole thing. We evacuated people from a simulated fire at Washington Street and they made use of --- The gentleman mentioned some emergency-type equipment. They have a diesel powered vehicle that can push the cars to certain places in the system. I am not here to defend the Port, but I am just telling you that this equipment is there, and we are aware of it, and will utilize it if we have to.

We made use of all this equipment and we put in a disaster plan. They evacuated people to the hospital. We had people from the Port Authority act as victims. One thing we can't overcome is the problem with communication. So, when you are going from underground to above ground, that is a great problem. I will say for the Port Authority, when we need special equipment, they have been able to get it for us. The first thing we made them aware of was the one-hour masks. In the event of a fire in their facility, we were not really equipped. They secured these one-hour masks for use of people involved.

We had asked for sound power phones. They are cable phones and we were able to have a man stand above ground and we operate the other one from the incident site and then we are able to re-transmit and coordinate our activities.

So, there are problems. We hope to address them. As I say, exits, lack of ventilation and lack of water in the underground system, these are things that we would hope the Port Authority and the Path will address and give a higher priority to in the future. I am quite sure that their thinking might change as a result of this investigation.

It will be a great help to the fire departments. I would say, if you have any questions, I will try to answer them for you.

ASSEMBLYMAN COWAN: Thanks, Chief. With all of the Department's problems such as water and other things you have mentioned, it appears in this particular incident and probably every other fire incident, I would imagine, communications,

particular in this type of fire or smoke condition seems to be the real big factor.

MR. MULLINS: Yes, that is one of the big problems. At our last meeting with the Path, a Chief from New York made us aware of a system called "Figaro." In New York City there is more of an underground problem than us. There is a system that has been developed in England, I believe, and they are experimenting with it. I am quite sure, if it proves to be effective, that we will be able to prevail upon the Port Authority to use it. I believe--- Did you use it to a limited degree at that fire?

MR. ROSSI: We did use it at the fire.

MR. MULLINS: I had read something about that. It is a new piece of communications equipment. It will be a great help to everyone if it proves worthwhile.

ASSEMBLYMAN COWAN: Also, judging from what has been said here today, I don't think I am being presumptuous in the fact that perhaps the delay in reporting the fire may mean they were trying to do their own fire fighting.

MR. MULLINS: Well, I don't want to comment on that.

ASSEMBLYMAN COWAN: No, I am not asking you, nor am I looking for any way to put you in a situation here, but this is just one of the thoughts I have, after hearing everything today, particularly from the Fire Department people and Mr. Schwartz. When you are coming up with figures here, of 130 incidents and you have 30 reported to you, you know, in that regard, Chief, the Committee here would like to know anything you do find that you feel--- I feel almost certain today after our hearing that we certainly will be going into further discussion on this matter in other hearings, also.

The only thing I have on my mind presently is I feel I would be greatly remiss if I didn't comment on Mr. Schwartz's testimony and yourself and the Chief who was at the scene of the incident, the way things were handled, and thank God, there were no fatalities involved.

Are there any other questions?

ASSEMBLYMAN GILL: I have two or three, Chief, if I may. We talked a lot about the communications improving, exhausts, and so forth. Of course, this is after the fact, after the fire has occurred. Has your Committee, or any of the investigation that you know of done a better job or more of a job on determining what the cause of the fires are? I mean, if we are getting 130 a year, it might be 160 next year. What causes these fires?

MR. MULLINS: Well, there are electrical problems. Sometimes it is along the walls of the tracks where they have the raceways and the conduits with their cables. Every so often they have switching equipment and they will admit this is where the problem is within the electrical system. It is an antiquated system. We have had occasions where we have had fires and we would have to break through the walls. You can see the smoke coming through the cracks in the cement covering and we would break through and you would find that the cable at a certain point was burning. So, a lot of the fires are electrical.

With the rolling stock, when it is in the cars, there are electrical fires. We are dealing with a system that is quite old, and it was in the hands of the H & M which was bankrupt, as I recall, for many years. So, probably over the years there has been a lack of maintenance. If you go down into the tubes yourself and you start looking up the tracks, you will see great accumulations of what appears to be grease and they claim they have cleaned up to a large degree papers and things that have been causing them problems, but you have 80 years of grease and whatnot accumulated. If you have electrical, then you have sparking and this leads to fires.

ASSEMBLYMAN GILL: To the best of your knowledge, is anything being done outside of removing the rubbish to cut down on the incidence or the possibility of a fire, and if not, what needs to be done?

MR. MULLINS: Well, they claim--- One of the Superintendents at one of our meetings claimed that they felt replacing the rolling stock would go a great deal toward preventing fires, getting better equipment. He felt that possibly could have

been one of their problems.

ASSEMBLYMAN GILL: Could you give me a ball park figure on what that would cost to install exhaust equipment in the tunnels? Has your Committee come across anything like this?

MR. MULLINS: No, no. But, we feel the Holland Tunnel in conjunction with the New York Fire Department - and they have a problem there with the carbon monoxide constantly being generated, and there is an exhaust system that takes care of that. So, it is possible for an efficient exhaust system to be installed in the Path, but I couldn't give you any idea what the costs would be in this area.

ASSEMBLYMAN GILL: Okay, thank you.

ASSEMBLYMAN COWAN: Anything further?

ASSEMBLYMAN BRYANT: Chief, I am reading a news report from the Port Authority dated January 14, 1982, and in that they talk about present and future capital improvements for Path safety. They talk about \$100 million. Has your Safety Committee discussed the use of that \$100 million, or were you made aware of the \$100 million?

MR. MULLINS: That was the Port Authority's money, you know. They came in and at our first meeting they told us where they were spending the money. That is why the question was raised, you are spending it here and you are spending it there, and there are new lights. These are all good things. They were going to put new lighting in the tubes, and improve the stations and buy new rolling stock. But, some of us felt that the problem is electrical, but none of this was going towards upgrading the electrical system or replacing it.

ASSEMBLYMAN BRYANT: What I am hearing from you, as well as the Chief from New York, is that there may be some deep rooted capital expenditures dealing with the root of the system, whether it is electrical and whether it is entrances and exits and ventilation, which are not being adequately addressed, or at least addressed at this time, and maybe we are taking a more surface type attitude toward what is being done, and

not that they are not improvements, but maybe they are improvements that go to the essence of fires.

MR. MULLINS: Maybe we can refer to them as cosmetic. We are going to make things look good, but we still have this problem and the thing is fire prevention. Are we preventing the fire from starting, which is our concern?

ASSEMBLYMAN COWAN: Well, this Advisory Committee that you mentioned, Chief, when do you meet?

MR. MULLINS: We meet quarterly.

ASSEMBLYMAN COWAN: And it is composed specifically of---

MR. MULLINS: Chief Officers.

ASSEMBLYMAN COWAN: From the Jersey side?

MR. MULLINS: Yes, and the New York side.

ASSEMBLYMAN COWAN: They meet at the same time?

MR. MULLINS: Yes, and the Port Authority Police, because they are responsible for a lot of the safety of the system and officers of the Path.

ASSEMBLYMAN COWAN: What expertise do they have to coordinate this? I assume the Path is going to coordinate this? They requested this Advisory Committee?

MR. MULLINS: Yes.

ASSEMBLYMAN COWAN: Who coordinates it for them?

MR. MULLINS: Well, they have a police officer who is in charge.

ASSEMBLYMAN COWAN: And this has been in existence since 1981 following the incident out in San Francisco?

MR. MULLINS: We have only had two meetings.

ASSEMBLYMAN COWAN: It was at that time that Path or Port Authority took an interest in dealing with the communities that they service, or the communities have serviced them with fire protection; is that correct?

MR. POLAKOSKI: I think after Bart they had the operation rescue, that large scale ---

MR. MULLINS: Yes, we ran this in 1980.

MR. POLAKOSKI: And then after that they had formed

this Advisory Committee. This operation rescue was taking people out of the tunnel.

ASSEMBLYMAN COWAN: And you have been meeting now for approximately a year?

MR. MULLINS: No, we have only had two meetings. We started in the fall. We had one in the fall and we had one after January and we are planning these drills in May, so we should have one after May.

ASSEMBLYMAN COWAN: I am not leading into anything here, except for the fact that I am very pleased to see that. I am very sure all the commuters and people within the communities are very happy to have that. But, perhaps now it is only going--- As you say, you only had two meetings, and what did you do prior to this?

MR. MULLINS: We had, Carrol and I, Chief Polakoski and I have had formal meetings when problems arose with the Port Authority. We had meetings with the Path in reference to not reporting fires. We have had that in the past. When we have a series of incidents that are reported in the paper, there was one incident where we came into work in the morning and it said, "Last night 50 people were evacuated from the Pavonia Avenue Station because of a heavy smoke condition," and we didn't know anything about it.

Well, the latest one just said smoke, but we have had times where we had to take people out, and we are very concerned that they don't even bother--- At that time they didn't even bother to let us know about it. So, they were informal meetings that we have had over the past few years with them. But, we are getting to the point now where we are running these drills. As I say, we are getting better organized, because of incidents that have occurred.

ASSEMBLYMAN COWAN: I certainly want to thank you, Chief, for your presentation here today and also Chief Rossi, particularly from the fire service, and for the excellent job you always do. I certainly would appreciate both you Chief, and Chief Rossi, if you have any information that you feel could be of

any benefit at all to this Committee, we will be ongoing in this - I would expect, as the Port Authority indicated - they will come back with their report in the approximate time they allotted, or near that point in time, and we will then perhaps at that time ask the Committee to reconvene and have all the interested parties present for testimony and we can lay out a better format than what we have today. Because, really, all we are doing today is scratching the surface. I can see, at least in my own mind, there is a lot to be done. Okay, thank you very much.

Is there anyone else? There is another witness on the agenda. I don't believe she is here, Helen Brennan, from North Bergen who was also a victim in the incident. She is not here, okay.

That is all we have listed now. Are there any public members present who wish to present some testimony? Mr. Duffy?

J O S E P H D U F F Y: Chairman Cowan, members of the Committee, I won't be very long. I just want to comment, as I mentioned earlier this morning at the session, Port Authority received \$200 million, as I mentioned, from the Federal Government. Now, why can't this Committee recommend through a legislative process, either enact a bill or whatever, and suggest that the Path use Federal money to start working on this electrical system? Sending \$200 million --- Part of that could be used, as Chief Mullins said, for the electrical system. If that is the problem, they are getting Federal money, so why not put it to that use? Give it first priority and maybe the Legislature could enact a bill stating that the Port Authority in its use of Federal money should start giving priority to the electrical system.

Thank you for listening.

ASSEMBLYMAN COWAN: Thank you. Is there anyone else who wishes to speak at this time? If not, I will recess the Committee. Thank you.

(Hearing Concluded)