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First Day

SECOND PUBLIC HEARING

BEFORE

SENATE COMMISSION CREATED UNDER SENATE RESOLUTION  
NO. 7 (1960) AND RECONSTITUTED UNDER SENATE RESOLUTION  
NO. 7 (1961) TO STUDY THE FINANCIAL STRUCTURE AND  
OPERATIONS OF THE PORT OF NEW YORK AUTHORITY.

Held:  
1100 Raymond Boulevard  
Newark, New Jersey  
January 26, 1961

MEMBERS OF COMMISSION PRESENT:

Senator Frank S. Farley (Chairman)

Senator Wayne Dumont, Jr.

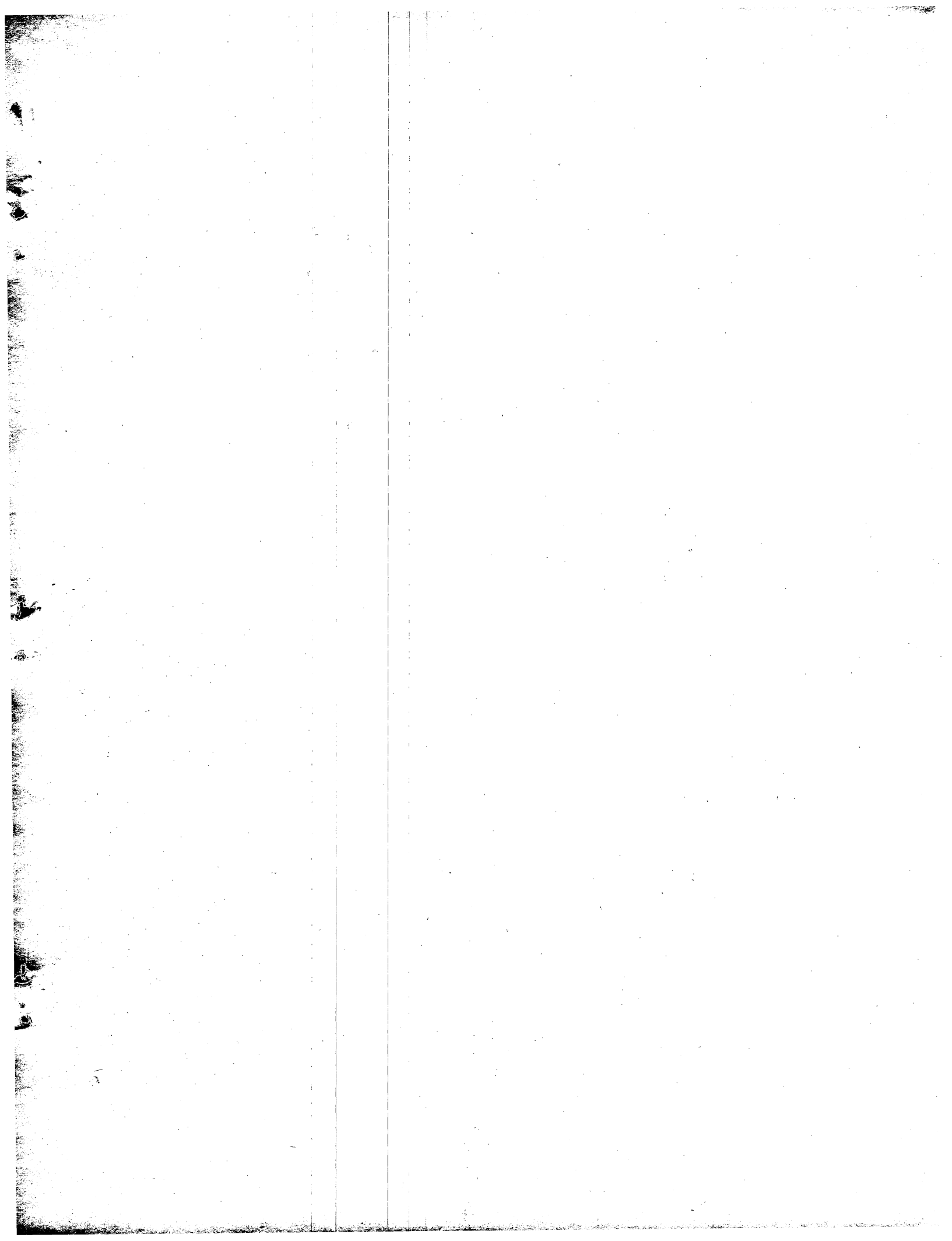
Senator Richard R. Stout

Senator William F. Kelly

Senator William E. Ozzard

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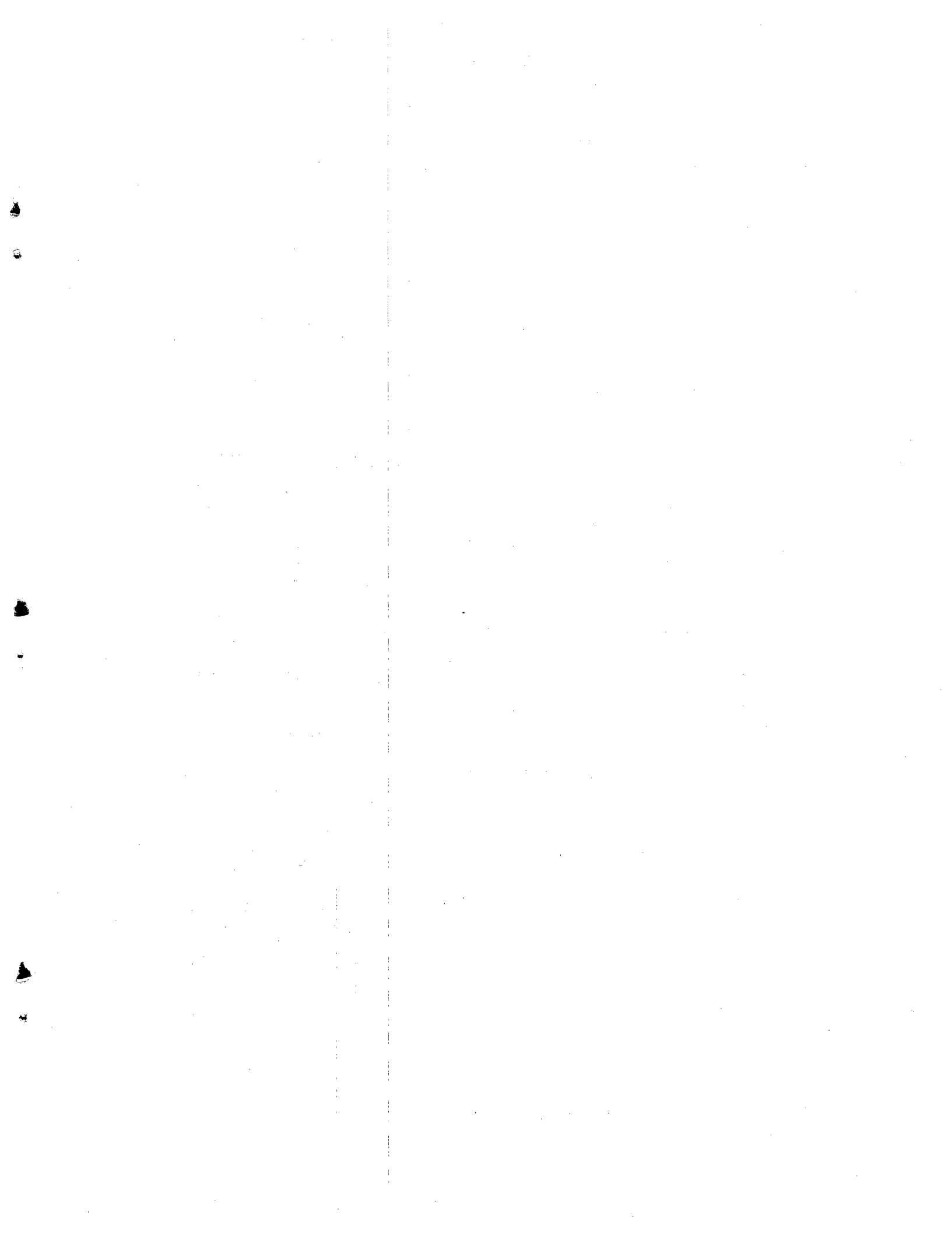
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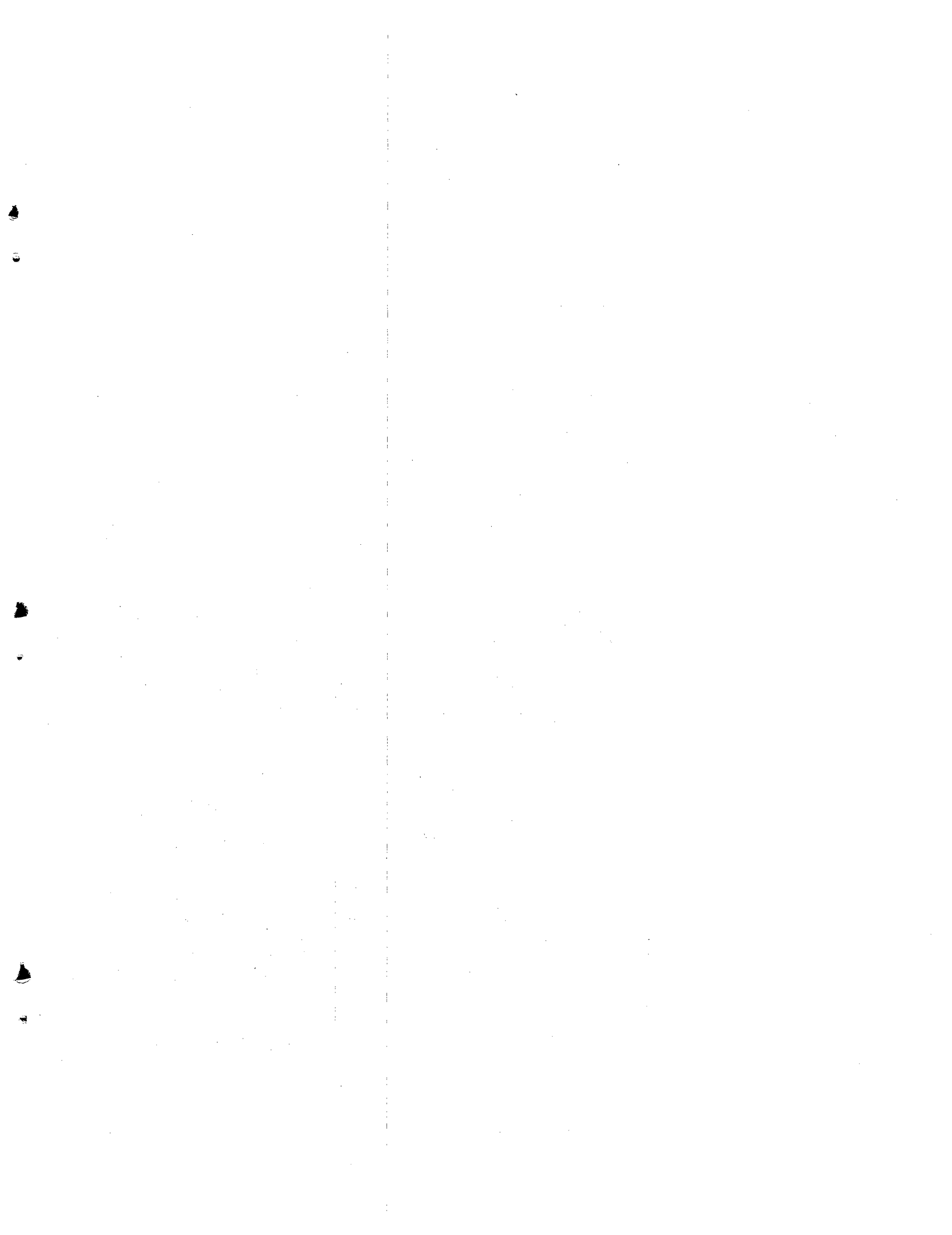
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SENATOR FRANK S. FARLEY (THE CHAIRMAN): First, I want to say good morning to everyone and we appreciate your coming out.

The first witness, under our program for today, will be State Highway Commissioner Dwight R. G. Palmer, who was designated by the Legislature and the Governor to try to negotiate with the various railroads involved in our commutation problem.

Will you be sworn, Commissioner, please.

D W I G H T R. G. P A L M E R, CALLED AS A WITNESS, being duly sworn according to law, testified as follows:

BY SENATOR FARLEY:

Q Commissioner, will you be seated, please. Will you give us your full name? A Dwight R. G. Palmer.

Q And you reside where? A Short Hills, New Jersey.

Q And you are presently serving in the capacity of a state officer; is that correct? A As Highway Commissioner of the State of New Jersey.

Q Were you importuned by the Legislature and the Governor to try to negotiate contracts with the various railroads relative to improving the commuter service within the State of New Jersey? A Yes, sir.

Q Will you relate in your own language what you have done in behalf of the State of New Jersey for the commuters, and everything in general, so that we may have in the record that which you have performed in behalf of the State of New Jersey. A Thank you, sir. May I proceed?

(Reading) It is a pleasure to have the privilege of appearing before this committee of the Senate affording me an opportunity to reflect some of the experiences and factual situations that we have met with in our attempts to carry out

the responsibilities which the Chief Executive and you gentlemen have delegated to the Division of Railroad Transportation. With your permission, I will proceed to outline the various facets of what so many term "our transportation problem."

At an increasing rate our railroads have had to face up to not alone a decline in passenger travel but substantial inroads on their freight carriage.

Passenger trains in New Jersey have declined by 24% and passengers by over 40% in the last ten years. The railroads' share of nationwide intercity freight traffic has dropped from 65% of the total in 1947 to 45% in 1959. Keeping pace with this decline, working capital has all but disappeared; on an average the New Jersey carriers have less cash than is required to meet payrolls for one month.

The number of railroad employees in New Jersey has declined in the past three years from 30,300 to the current low figure of 21,000.

So much for the basic compilation of figures that portray the effects of our population shifts, change in our travel habits and our preference, if you will, for "store door delivery" rather than utilizing several lines of transportation from origin to destination.

There has been a multiplicity of studies, countless commissions and associations engaged in surveys of our metropolitan areas. A perusal of these reports impresses one with the great detail and statistics of the majority of the reports. The supervisors of such compilations undoubtedly were sincere and felt they were pursuing the proper course and yet, years after all these facts were presented, we find ourselves about to go "down

the drain" trafficwise.

Most of these plans proposed expenditures that staggered the imagination. The likelihood of ever converting such plans into "pay dirt" and a practical solution had about as much chance as would the financing of Captain Stormfield's visit to Heaven, as described by Mark Twain.

So, gentlemen, in 1959 our commuter problem was brought into sharper focus by the action of the U.S. Supreme Court permitting the New York Central Railroad to discontinue ferry service from Weehawken to Manhattan. This same year a rush of service curtailments and fare increase petitions flooded our regulatory agencies and one of our busiest New Jersey commuter railroads posted notice that all service would be discontinued.

Governor Meyner then assigned the problem to me, first directing my associates and me to provide vehicles of transportation for those 3,000 odd commuters that otherwise would have been stranded when the Weehawken ferry shut down. Within a few months our Legislature responded by establishing the Division of Railroad Transportation. We had adopted a new philosophy; that the job of the Highway Department was one of moving people and goods - not just providing highway alignments for vehicles to travel. This concept was the keystone of the integration of transport facilities in New Jersey, for we recognized that the suburban railroads were essential allies of the Highway Department in meeting the daily peak travel demands of our citizens.

We had not worked long with the problem before we realized that the essential ingredient needed to aid in the solution of our problem was money. Conscious of the general rejection of the Metropolitan Rapid Transit Commission plan to tax real estate to meet deficits in its proposals, we developed a different approach. An examination of the operation of the New Jersey Turnpike indicated the availability of sufficient surplus funds to take care of rail transportation difficulties as well as other transport needs, and do this after meeting commitments to all holders of Turnpike securities. However, the public decreed otherwise and denied to us the use of these funds.

After the defeat of the referendum we reviewed our studies of the rail passenger situation. The results of these studies were set forth in detail in our report to the Governor and Legislature dated April 4, 1960. This report recommended that in order to forestall a complete breakdown of rail services that the carriers be placed under contracts to operate specified trains at established rates. The contracts, we hoped, would assure a continuity of service for our citizens even though they were considered a "temporary expedient" to be pursued, say, for a period of three to five years, during which time a long range improvement plan could be put into effect.

Legislation enabling such contracts was introduced in the Senate in May of 1960. It was passed with dispatch in both houses, the legislature exhibiting a keen understanding of the problems and the seriousness of the consequences should the State fail to take action to ease the financial burdens of the rail carriers. The mechanics for placing carriers under contracts were clearly set forth in the Passenger Service Act. Four steps were involved:

1. First determine what rail passenger service is "essential in the public interest".
2. Hold hearings and make known to the public such determinations.
3. File determinations with the Secretary of State.
4. Negotiate contracts with the carriers.

With regard to determining what service was "essential in the public interest" the Act set forth seven standards to be given consideration in making the determinations.

Although the Act does not compel railroads to participate in the program, the contracts that are now in effect have insured the continuation of 95% of the car-miles of passenger service operating in the State.

The first year's contracts required that:

1. All service be continued as set forth in the contract.

2. One-day round trip excursion tickets be restored or put into effect at rates 50% more than the one-way ticket.
3. The basic and commutation rates as set forth in the contract be continued for the life of the contract.
4. Additional service be operated on some lines for a period of six months to see if patronage could be developed.

Now, permit my return to our April 4 Report. Along with the passenger service contract program we recommended that the state participate in the Camden area rapid transit development program by providing \$1,000,000 per year for three years to be used for grade separation structures on the Camden-Kirkwood Line. The \$1,000,000 for the first year was appropriated. Unfortunately, progress on this development has not reached the point where the authorities administering the project have use for these funds.

In the north metropolitan area our recommendations included consolidation of the Jersey Central and the Pennsylvania passenger services over the New York and Long Branch operating the trains through to Pennsylvania Station, Manhattan and a rerouting of all the main line service of the Jersey Central to Penn Station in Newark. Certain of these suggestions are

still under study. We also recommended that the Port Authority play a significant part in improving the facilities for the interstate movement of our citizens. In this regard I am fully aware that there are those who suggest that the Port Authority should take over the financial responsibility and deficits of all commuter railroads in New Jersey and New York even at the risk of jeopardizing the Authority's credit standing and depleting its reserves below levels set by indenture agreements.

Considerable time has been devoted to reviewing the Port Authority's capabilities, as well as responsibilities, insofar as commuter rail transit is concerned. Our conclusion as stated in the April report was that:

"The Port of New York Authority should not, in our opinion, be handed New Jersey's rail transportation problem, nor should it become responsible for the New York subway system or for rail transportation for Westchester or Long Island. We are certain however, that the interstate aspects of the rail movement of persons and goods such as purchase and lease of new Hudson and Manhattan commuter cars and the purchase of the existing interstate railroad ferry boats, do come within their obligations. The foregoing fully recognizes the importance of maintaining the Port of New York Authority's commitments and credit requirements."

In other words, we became convinced that the Port Authority's responsibility in the rail transit field should be concerned principally with the interstate aspects of the problem as the

Authority is an interstate or bi-state agency. Our recommendations were consistent with that philosophy.

I arrived at this conclusion relying on years of experience in private enterprise. My career has been one of a business man in the industrial field where the courageous survived - where the complacent were left behind and where competition took care of the rest. I have had responsibilities of meeting a payroll - a payroll that each year sought to improve the standards for our workers - and to satisfy the demands of shareholders also. The Port Authority in my opinion must make money and accumulate reserves for the rainy day if it is to be equipped to meet the needs of our two states of New York and New Jersey. It does not have general taxing powers. Its only taxes are the tolls it collects from the users of its facilities. Its shareholders are the public, you and I, and the institutions that buy the bonds. Since the cost of financing often determines the feasibility of a project it stands to reason that you and I get more for our toll dollar in the way of modern and safe facilities if we make certain that the credit rating of the Authority remains intact.

Now let's talk specifics for a moment. The Authority has sizeable revenues and reserves today. While I don't have the 1960 figures, reports are that gross revenues in 1959 totaled \$105 million and the several reserve funds totaled \$71 million. Now as soon as "reserve funds" are mentioned

it is assumed by some that such reserves are "available" or uncommitted. Such is not the case. These revenues and reserves are pledged and committed by contract to the investors in Port Authority bonds as security for the re-payment of those bonds and for contingent liability in connection therewith, and they may not legally be diverted. For instance, to strengthen its credit position the Commissioners of the Authority have adopted a policy to commit retention of reserves in an amount equal to two years debt service. The \$71 million in all Port Authority reserve funds at the end of 1959 was just about equal to the following two years debt service on all bonds. The Authority is required to hold in reserve 10% of its outstanding indebtedness - this amount at the end of 1959 was \$57 million. Such revenues and reserves cannot be regarded as uncommitted funds. Diversion of these funds moreover might jeopardize the carrying out of future work authorized by the Legislatures of New Jersey and New York by inviting higher financing costs. Certainly the consequences of such an effect, from the standpoint of the growth and prosperity of this area, must be carefully considered.

The matter of the pooling of net revenues from all the Port Authority's facilities, as authorized by the Senate in 1931, has received some attention of late. By pooling the revenues, a credit base was established to facilitate financing of projects

like the bus terminal serving New Jersey commuters, the third tube of the Lincoln Tunnel, the Hoboken Piers, Port Newark, Port Elizabeth, and Washington Heights Bus Terminal which will principally serve New Jersey commuters. Indeed, it is the pooling of such revenues, as I see it, that will permit financing the purchase and rehabilitation of the H & M Railroad. It is clear to me that the action of the New Jersey and New York Legislatures in authorizing the pooling of Port Authority revenues and the creation of reserves has made it possible to provide many public transportation facilities that we may not have had otherwise. With the needs for expanded and additional transport projects rearing up in every direction it seems that the principles which enabled the Authority to accomplish so much in so short a time and so efficiently should prevail.

Now most of us realize that the matter of credit is not an exact science. The credit of an organization depends on quite a few factors; past performance, efficient management and calibre of personnel and markets for the product the institution has to sell; and last but not least - what investors think of the operation as a financial risk. It is, in the final analysis, the practical assessment of being repaid money that they lend to it. This latter reason, I am certain, is why the Port Authority last September, in presenting to this Committee the plan to acquire the Hudson and Manhattan Railroad, talked in terms of

what might be done rather than to state positively what would be done. You will remember that they said the Port Authority might be able to sell bonds for the acquisition and modernization of the Hudson and Manhattan Railroad and at the same time continue the financing of the States' vital port development programs, provided investors could be given assurance that investments in rail transit matters would be limited. The Authority also wanted assurance that the key recommendations in our April report would materialize and pointed out that fair financial terms for both the purchase of the H & M properties and the Pennsylvania Railroad operating agreements must be obtained. As I see it from my personal point of view acquisition of the H & M is a must. All our plans hinge on it. To insist on terms unacceptable to investors or terms that invite high interest costs might cause delays that will render our efforts "too little and too late." It gets down to how badly we need the H & M - do we want it on the investors terms or not at all - it seems to me it is almost as simple as that.

The H & M railroad provides a vital link in our interstate transport network. It is essential to both states that it not only continue but that it be rehabilitated to more conveniently serve our citizens. The cost of purchase, renovation and a new fleet of cars may be over \$80,000,000. The H & M is in the last phase of reorganization, that when accomplished,

will separate the Manhattan Real Estate from the Railroad properties. The reorganization document now before the I.C.C. provides that sufficient cash be transferred to the separated Railroad Company to permit normal operation for a period of only two years. Extraordinary demands on its resources such as a prolonged strike, would substantially shorten the period it could operate without public assistance. We did not include the H & M in our contract program because of its interstate nature. We have insisted that it be put under bi-state regulation and that its rehabilitation be a bi-state venture. The Port Authority is the logical agency to do this - it has agreed, as just outlined.

I feel certain that you gentlemen of the Legislature have been and will be increasingly in touch with our transportation needs. I am also convinced that the Port Authority's responsibilities will be better met by preserving a sound credit base.

## PASSENGER SERVICE DEFICITS

Leaving the H & M now and discussing New Jersey railroads it is generally known that rail service has been under regulation since passage of the Federal Interstate Commerce Act in 1873. Out of regulation has grown a requirement for railroads to follow a Uniform System of Accounts in reporting annually their entire operations. Since 1933 the carriers have been required to separate revenues and expenses of operating passenger service distinct from that of freight operations. The I.C.C. rules require that railroads divide all expenses into:

1. Expenses related solely to freight service.
2. Expenses related solely to passenger and allied service.
3. Expenses common to both.
4. Expenses related to neither.

These separation rules require the carriers to assign the expenses that are "directly or naturally" assignable either to the freight service or to the passenger and allied services to such services. The only additional guidance provided for assignment of an item of expense as either direct or common, is whether the service performed or the use of the facility is related solely to freight or passenger service or is common to both. In general, the common costs are then allocated to the freight and passenger services in the proportion that the common physical units of each

service, such as gross ton-miles, car-miles, train-miles, etc., bears to the total. The I.C.C. measure of the passenger service deficit is the amount by which the total of the solely related and common apportioned costs exceed the revenues. The revenues can usually be traced to their origins in either passenger or freight activities.

The I.C.C. does not require costs and revenues to be separated at state lines nor does it require passenger services to be subdivided between long haul and suburban or commuter traffic. The I.C.C. procedures produce systemwide results for operation of both passenger and freight services. In New Jersey we are primarily interested in the net from the suburban passenger operations; therefore, a further breakdown of solely related and also apportioned costs is essential. To determine such costs for a particular railroad it may be necessary to:

1. Separate cost and revenues at state borders.
2. Separate costs solely related to long haul through trains.
3. Allocate costs of through trains carrying New Jersey passengers.
4. Separate costs and revenues related to head-end operations.
5. Determine share of cost of operating terminals in adjoining states assignable to New Jersey service.

The deficits from operating passenger service in New Jersey as contained in our April report were compiled by the railroads with our accountants asked only to review methods used by each carrier in arriving at the figures. This past fall, however, we embarked on a program to draw up agreements with each carrier participating in the contract program setting forth item by item procedures to follow in order to develop:

1. Passenger service costs within the borders of the State of New Jersey giving consideration to the share of the cost of operating terminals in adjoining states assignable to New Jersey operations.\*
2. Separation of costs and revenues relating to head-end business.
3. Effect of transporting "free" passengers.

Work has progressed with four of the five carriers now under contract towards drawing up a satisfactory cost analysis agreement. Because of inherent differences between the carriers, procedures and formulas for arriving at the New Jersey passenger loss must be tailored somewhat differently in each case. For instance, the Pennsylvania Railroad's New Jersey passenger operations are split between two regions. As a practical matter, each region must be the subject of a special study. In addition, the Pennsylvania

\* Subsequent studies proposed by the Division will further separate the costs within the state of through train operation. Costs pertaining to the strictly commuter trains will then be known.

terminal in New York is in one of these regions and its costs must be accumulated separately and then spread over the applicable states. There are accounting differences between railroads even though they must all follow I.C.C. accounting rules. However, methods of accumulating accounting data may differ greatly. Information readily available on one railroad may be virtually impossible to obtain on another. Thus a procedure which gives the best results on one railroad may not be entirely practical for another.

In order to make the agreements as consistent as possible, our Certified Public Accountants are first familiarizing themselves with both the physical and accounting characteristics of each carrier. This is being done by interviewing key people on each railroad and examining books and records in each department. Subsequently, each of about 150 line item accounts will be reviewed to make certain their make-up properly portrays New Jersey operations. These agreements, after review by our Railroad Division, will be the framework of a contract between each carrier and the State with regard to arriving at passenger service losses. The carriers will be required to submit annually costs so determined and future service contracts will contain clauses obligating the carriers to this procedure. Our accountants will spot check the compilations.

This procedure will give the State annually the facts of life regarding deficits and on a basis both meaningful and reasonably comparable for all rail carriers.

## FINANCIAL CONDITION OF NEW JERSEY RAILROADS

Our April 4 Report listed the deficits for all carriers operating passenger service in New Jersey. For the year 1959 the total loss was in excess of 27 million based on I.C.C. full cost allocations. Deficits in 1960 are expected to be of the same order, or even greater. Higher basic and commutation fares are now in effect although these increased revenues might be entirely absorbed by higher wages contained in the new labor agreements and by higher payroll taxes resulting from increases in Railroad Retirement Benefits.

Following are some statistics pertaining to the financial structure of major New Jersey railroads:

### Pennsylvania Railroad:

The Pennsylvania provides service in New Jersey through its ownership or lease of affiliated companies. The majority of New Jersey trackage, including the Pennsylvania Railroad main line between Newark and Trenton is actually owned by the United New Jersey Railroad and Canal Company which is operated by the Pennsylvania Railroad on a 999-year lease on a fixed rental basis. The Pennsylvania owns 51% of United New Jersey capital stock with a book value of about \$25 million. The Pennsylvania Railroad also has the following major holdings affecting New Jersey service:

1. 50% of the New York and Long Branch Railroad stock with book value of \$2 million - the Jersey Central owns the balance. This enables Pennsylvania Railroad trains to operate between Perth Amboy and Bay Head.

2. 100% of Pennsylvania Tunnel & Terminal Railroad stock with a book value of \$25 million. This company owns the trackage and tunnel from Harrison, New Jersey to Long Island City. That isn't the same tunnel but there is a continuous tunnel.
3. 66-2/3% of Pennsylvania-Reading Seashore Lines common and preferred stock, each carried at a book value of 50%. The Reading owns the other 1/3.
4. 85% of West Jersey & Seashore Railroad common and 68% of preferred stock having book values of \$7.4 million and \$90 thousand respectively. This railroad is leased to the Pennsylvania-Reading Seashore Lines for 999 years on a fixed rental basis.
5. 44% of Lehigh Valley Railroad stock of which 26% is owned directly with a book value of \$20 million and 18% of which is owned by the Wabash Railroad. The Pennsylvania Railroad has a 99% common stock ownership of the Wabash.

The Pennsylvania, we understand, has made an offer to other Lehigh Valley shareholders to exchange their stock for Pennsylvania Railroad stock on the basis of one share of Pennsylvania for 2-3/8 shares of Lehigh Valley. Full ownership of the Lehigh Valley would enable the Pennsylvania Railroad to effect some economies through coordination of services, and also apparently pave the way toward a rumored merger of the Norfolk and Western, and the Lehigh Valley. 33% of the Norfolk & Western is owned by the Pennsylvania.

The Pennsylvania has paid dividends on its common stock for 113 years. Payments per share for the past 10 years are:

1951	-	\$1.00	1956	-	\$1.55
1952	-	1.00	1957	-	1.25
1953	-	1.50	1958	-	.25
1954	-	.75	1959	-	.25
1955	-	1.50	1960	-	.25

In 1959 this company netted an income of \$7,200,000 from its system operations and investments, but reported a deficit of \$37 million from its passenger business, approximately \$7 million of which accrued on New Jersey suburban traffic. For the first 11 months of 1960 the company operated at a \$5,000,000 deficit and is expected to end the year with its second deficit in 115 years. The Pennsylvania's system passenger loss for 1960 may have reached \$32,000,000 including an estimated \$7.5 million occurring in New Jersey.

#### Erie-Lackawanna Railroad

The former Erie and Delaware, Lackawanna & Western Railroads received approval for a merger of the two carriers from the Interstate Commerce Commission and began operation as a single company on October 17, 1960. The merged company owns about 30% of the Lehigh & Hudson and most of the stock and bonds of the New Jersey and New York Railroad.

The Erie paid dividends on its common and preferred stocks in 1953 through 1957; preferred only in 1958 and 1959 and none in 1960.

The Lackawanna paid \$1.00 a share in 1955 and  $62\frac{1}{2}\%$  in 1957. In 1956 it distributed 2 shares of Nickel Plate stock for every  $33\frac{1}{3}$  shares of D.L. & W. stock. No dividends were paid in 1958-59-60.

In 1959 the Erie and Lackawanna operating separately had a combined loss from all operations of about \$10,000,000 with a passenger loss of nearly \$8,000,000, practically all of which was accumulated in New Jersey.

The merged company reports a \$16,000,000 deficit for the first 11 months of 1960 and expects a passenger loss of \$8,100,000 for the year in the New York area.

#### New Jersey & New York Railroad

This railroad is in receivership and under control of a Trustee. Actual operation of the line is under the jurisdiction of the Erie-Lackawanna Railroad. Reorganization plans anticipate that the line will eventually be absorbed by the Erie-Lackawanna. No dividends have been paid since this railroad went into receivership in 1938.

#### Reading Company

The Reading has a 56% interest in the Central Railroad Company of New Jersey with a book value of \$16 million, however, the Baltimore and Ohio Railroad holds 42% of the Jersey Central Stock. The Reading also owns one-third of the common and preferred stock of the Pennsylvania-Reading Seashore Lines.

In 1959 this company paid \$2.00 per share on preferred and 2nd preferred stock, and 50¢ per share on common. In 1960 dividends were \$2.00 on preferred, 50¢ on 2nd preferred and none on common stock.

The Reading had net income of about \$1.8 million in 1959 but a passenger loss of \$7,000,000. For the first 11 months of 1960 net income was \$1.1 million but the passenger loss for the year will again approximate \$7,000,000, however, only about \$50,000 of this amount is applicable to New Jersey.

#### Central Railroad of New Jersey

The Jersey Central owns 50% of the New York & Long Branch Railroad stock. The last dividend on Jersey Central stock was paid in 1931.

In 1959 this railroad lost about \$2.8 million, however, its passenger deficit was about \$6.3 million, virtually all of which accrued in New Jersey. For 11 months of 1960 the railroad showed a net loss of \$3.4 million and the passenger deficit for the year is expected to reach \$6,000,000.

We have emphasized in the past that federal legislation is necessary to assure that financial benefits from any state or local government program are excluded as an income tax liability of the carriers. Otherwise they might lose to the Federal Treasury more than one-half of every dollar received from carrying out their contracts with the State.

I have consulted tax authorities in Washington and laid some of the ground work for such legislation with our New Jersey delegation. The matter is not of immediate concern, however, as the rails' fiscal posture is such that no income taxes are currently being paid.

The Pennsylvania Railroad has not paid federal tax since 1954, although two of its subsidiary companies had tax obligations in 1958 and 1959.

The Erie and Lackawanna Railroads last paid tax in 1953; the tax paid by each in 1954 was later refunded. The Jersey Central paid taxes in 1956, 1957 and 1958, however, these were refunded as a result of subsequent losses. None of the other passenger-carrying railroads have incurred federal tax obligations in recent years.

In discussing the financial situation of the New Jersey roads it has often been suggested that in bankruptcy lies a solution - that possibly the rails should be encouraged to take the pauper's oath to shed themselves of their fixed charges. In railroad parlance fixed charges are limited to debt and interest obligations.

in my opinion  
Bankruptcy in itself/would not be the answer - for the amount of the passenger deficit exceeds the fixed charges on several of our carriers. We believe it necessary to find a more constructive answer to the dilemma.

## THE ROLE OF THE RAILROADS IN NEW JERSEY'S ECONOMY

All of us are familiar with the commuter service operated by New Jersey railroads and how essential this service is to the economy of many of our communities and here I wish to emphasize the absolute interdependency of all our communities and counties. We are a state that is one unit of interest and I regret to have to note that the contribution to sustaining the state-wide economy made by the railroad industry is too frequently overlooked.

For instance, railroads during 1959 provided jobs for an average of 21,000 people in New Jersey with an annual payroll of \$128,500,000. These carriers also spent an estimated \$47,200,000 in the state during 1959 for operating supplies, fuel and new equipment. New Jersey's state and local governments received over \$18,000,000 in taxes from the railroads in 1959 and again in 1960.

New Jersey's railroads comprise an immense plant of tracks, stations, shops, signals and rolling stock. Within the state, 12 Class I lines operate a network of 1,899 miles of road. In addition nine Class II lines operate 186 miles of track, and two switching and terminal companies serve the area.

The railroads in New Jersey originated a total of 9,900,000 tons of rail freight in 1959 and terminated another 29,800,000 tons.

Industry in our state could not exist at its present level were the rails to be idle. Property values would drop and many businesses would suffer were a cessation of operation to occur.

## CONTINUING THE CONTRACT PROGRAM

We recognize that a need for a general revitalization of railroad passenger service is necessary if the trend away from the rails is to be arrested. The carriers now, I believe, realize that the public must be satisfied if public support is to be continued.

Notwithstanding their strained fiscal situation, the carriers have at least expressed a desire to initiate improvements for their commuters. For instance, one railroad polled its passengers to determine public reaction to its service. The response was excellent and this railroad has found it possible to satisfy most complaints concerning cars by setting up a continuing program to improve interior and exterior car cleanliness and fix all windows, etc. so they serve passengers' comfort - not his discomfort.

Other railroads have somewhat similar programs to inaugurate if new contracts are executed. It must be recognized, however, that these efforts, while commendable in themselves, represent only an attempt to keep existing equipment comfortable and presentable.

The average age of railroad suburban passenger cars is over 35 years and lack of funds for many years has forced the railroads to defer maintenance on items not connected with safety. The total deferred maintenance on just passenger cars in the New Jersey suburban service we estimate is now over \$9,000,000. To this must be added similar deferred expenditures on locomotives, roadbed, communications and stations. Merely to rehabilitate present equipment or to provide replacements with modern cars will require

millions of dollars and several years to accomplish. Additional sums must also be spent on supporting facilities.

Another carrier has advised that under a new contract it will relax restrictions on the use of commutation and one-day bargain tickets, and all contracting railroads have agreed to work with the Division to revise schedules where necessary to provide the best possible service to the public.

In considering the extension of the contract program, it might be well to examine what might have happened had the program not been in existence during the current fiscal year. And incidentally, I would like to interject and say that several of the carriers, two of the smaller ones and the P.R.S. and L., which is one of the larger ones, refused to contract with our division due to the fact that they said the compensatory benefits from the contract relations would not be in proper proportion to their losses. Our division has engaged in hearings and we believe effectively in several instances, and particularly in the P.R.S. and L. situation. We brought into play in that hearing in our testimony the benefits accruing to the parent company of the long-haul freight, and all of these considerations must be brought into the picture. So while we are dealing here with the history and some of the projections, I wanted to emphasize that particular point.

It is certain that applications would have been made by the railroads for withdrawal of a considerable number of suburban passenger trains and on some branches complete abandonment of service, had we not been under contract. It is also probable that, instead of the reduction in fares accomplished by the contract program through the establishment of one-day bargain

tickets, the railroads might have been seeking still another increase in their rates.

In fact, the contract program has not only kept trains running but it has been directly responsible for the addition of 13 trains on three railroads. These services are being operated on an experimental basis by the railroads in an endeavor to stimulate passenger travel.

Without any qualifications, we in the Division of Railroad Transportation are convinced that the Passenger Service Contract Program must be continued for several years, and I have requested funds to finance it for the fiscal year 1961-62. Most of you know that funds for the current program have been made available from the highway construction budget which, in my opinion, is not conducive to general public approval. Subsequent appropriations are requested to be made from the general fund. I am also convinced that with a modest budget for contracts, we will bring about some badly needed service improvements. We are working on new schedules to improve express service from the outlying areas and are cognizant of the need for better on-time performance on some of the routes.

There can be no doubt that the maintenance of passenger train service under the contract program has saved the jobs of many railroad employees residing in New Jersey. For example, one railroad has stated unequivocally that no employee directly related to passenger train operations has lost his job since the effective date of the contract.

After all, Senators, the maintenance of essential employment is one of the mainstays of our state's economy and we in the Division of Railroad Transportation endeavor to keep before us as broad a horizon as possible, giving due consideration to all facets of our economy.

I thank you, sir.

BY COMMISSIONER FARLEY:

Q Commissioner, recently the Legislature passed an act appropriating \$7,000,000 to the Director of Railroads in an effort to help this commuter problem; is that correct?

A Yes, sir.

Q Six million, I believe, was allocated to northern New Jersey and one million to the South Jersey area; is that correct?

A Yes, sir.

Q Do you in your judgment feel that this is of sufficient amount to even temporarily resolve this situation? A The answer, Senator, to that directly is yes, temporarily, but there are other problems such as I cited with P.R.S. and L. which, incidentally, is in the area where you reside, where we offered the P.R.S. and L. \$276,000, which would have been on a car-mile basis and the railroad insisted that their losses were approximately three million and that, therefore, that was an inadequate amount to cope with their situation.

I might interject to say that, with the philosophy we have in the Highway Department, that we have had for some years, our transport situation, we believe, has got to be considered in its total aspect. It has got to be coordinated both as to bus and to rails and our highway alliance and the needs of the movement of people, with the railroads being our greatest ally,

that we can wisely and intelligently spend more money to enable the railroads to stay alive, or face a situation similar to what we have in San Francisco and Los Angeles, more definitely Los Angeles, where they had a wonderful rapid transit system, did away with it, poured a bunch of highways on Los Angeles like a bowl of spaghetti and in the end did not accomplish facilities of travel and now are presently engaged in the problem of buying these services back at some substantial cost of two or three hundred million dollars. So that the direct answer to your question is that if we had more money we could do a better job, but in view of the fact that the metropolitan transit problem and the others came up with these grandiose plans of two or three hundred million dollars, we realized that if we walked into this thing with some brand new venture, it could sink by its own weight and that the best thing for us to do was to attempt to half-sole and heel what we had and work from there and, as we all got a better understanding, then we could work out our long-range programs. But in the long run, we have to avail ourselves of more funds. We have one hope that the Federal Government, under a new bill that has been introduced by Senator Williams, S-345, which will extend to municipalities and to states and to carriers the opportunity to borrow up to a total of \$250 million in a given period of a revolving fund at 50 per cent of their needs, but the other 50 per cent will have to be put up by the communities or by the state.

I am not one who believes in carrying our problems to Government. I believe in the private enterprise and I believe in the courage that ought to go with it. But when we are faced with a situation where the carriers, on which we are so

dependent, are unable to maintain themselves and which at the moment, at the end of this year, unless additional help is given, I can readily foresee where some of them will pass out of the picture. I, therefore, believe that it is incumbent upon us at this period to draw on all the resources that are available - personal, state, and national - in order to maintain the service that we have.

Q Commissioner, did you find these railroads, in your negotiations, as you tried to arrange a contract - did you find them cooperative, did you find them willing to assist in continuing the commuter service, or were they indifferent? Just give us your viewpoint as to your negotiations with the respective railroads.

A Senator, in the first place, the railroads used to be a monopoly, and monopolies, as we all know, are not conducive to worthy consideration of all of the needs of all of the public. Long since, the railroads ceased to be a monopoly. Their benefits accruing from reserves of various kinds, from a continuity of the volume of freight and from coal and other assets no longer exist. So I will say this, before responding directly, if I may, to the question, that they are in a different position today, and it isn't that I am not giving them due credit for what their attitude is, but I want to present the picture as they faced it and as we realized it. In all of our relations with them, they were so enthused over the possibility of the state's recognizing their predicament and evidencing a consciousness that some constructive steps had to be taken that they almost went overboard in their earnest effort to supply us with everything that we asked for, and to give us every bit of cooperation. And not only was this

at the top level but it had filtered down to the people at the lower levels, so that we met no resistance and no hurdles in acquiring all the data that we asked for and, as a matter of fact, a great deal of data was volunteered that, at that stage of our so-called intelligence, we were not competent to ask for. And, therefore, I would say this - that with the first breath of spring, as it were, to the carriers, they are looking forward to a continuity of contracts and also to us doing something about the long-range plans and of working with us together in harness, realizing that they no longer have any other source of help.

Q Commissioner, recently the Legislature adopted an act whereby the people, on a referendum, might vote on the question of whether they should borrow \$77,000,000 for the long-range program. For the purpose of the record, will you tell this Committee what your plan anticipated in the expenditure of this \$77,000,000 in an effort to continue commuter service?

A Well, sir, in the southern area of the State - in the Monmouth County area and that area - a consolidation of the services of the Central Railroad and the Pennsylvania, which would enable people to go uptown directly instead of going downtown on the Central Railroad - the commuters who use that line - there would be great savings there; there would be a substantial cost in changeover, of also taking the main stem of the Central Railroad and transferring over at Aldene, which is near the City of Cranford, to the Lehigh Valley tracks, cancelling out the ferry service at Communipaw and enabling the Central Railroad passengers to go to the Pennsylvania Station in Newark and those who wish to go uptown to go either

directly by tube or by Pennsylvania trains uptown, and those who go down to go on the H & M. That would mean a load of about 25,000 trips per day to the H & M, which also would breathe some of the breath of life to the H & M. In addition to that, we had many plans for dealing with the possible electrification of the Erie Railroad in the Bergen County area; also for new cars which, in some instances, are terrifically expensive; for a changeover of stations - in many instances moving the stations into the hands of the local municipalities; setting up parking areas, and of consolidating some of the bus services with the carrier services.

The figure, naturally, had to be a rough estimate, but we foresee adequate opportunity to enable us to effectively accomplish what we believe the State wishes to accomplish and that is a sufficient modernization of our equipment and of our facilities to enable the public to enjoy mass transportation and to go back to it.

Now, personally, I have no prophecy as to whether or not mass transportation will be in existence five years from now. The immediate job is to make use of what we have and, as we get a little wiser and have a little more experience, we will learn as to whether or not it is possible to extend the situation. From my own standpoint, I cannot foresee how our Highway Department, even if it had unlimited sums - which it does not have - could possibly cope with some 382,000 passenger trips per day if the carriers shut down, and also the effect it would have on the communities; the small businesses, the real estate values, the mortgages, the securities of institutions and insurance companies, I feel would be greatly

dissipated.

Q Commissioner, if perchance the Port of New York Authority purchased the Hudson & Manhattan, what financial assistance, whether it be by means of subsidy or contract, would be necessary in your judgment to provide first-class commuter service between the New York area and the New Jersey sections? Could you give us an estimate on that?

A In so far as the expenditures of the Port Authority that would be required are concerned - first, the figure of negotiation of purchase is still an unknown quantity.

Q Yes, I appreciate that. This is just a hypothetical question. If the purchase was consummated, what money would be needed to continue and improve the commuter service in the

New York and northern New Jersey area? A I would feel, with the long range, another \$100,000,000. And I realize that's not chicken feed, and I hesitate at any figure that gets up into that bracket, but it would be progressively over a long period of time.

Q And taking a hypothetical case - if perchance the Port were in a position financially to handle the commuter service, what would happen to the railroads involving passenger and freight service in this particular area of northern New Jersey? Would they go bankrupt?

A Well, the Port Authority has gone on record as feeling that mass transportation's maintenance is absolutely essential. That is contrary to some of the references that I have seen recorded. The Port authority in itself, with its bridges and its tunnels, and its H & M could, under no circumstances in our considered opinion - although we are not experts, sir - meet the needs of our State

in so far as transportation is concerned, and in our opinion their efforts should be confined to the bi-state, inter-state aspects, and we, with the carriers themselves, energizing the assistance in each state, would not certainly from our state interest in the Port Authority wish to see them engage in taking over the Long Island Railroad, the New Haven that comes into Manhattan, and the New York Central with all the extenuating circumstances. I might mention incidentally that in this last strike period, if the New York Central had still been operating the West Shore Railroad, all of the New Jersey railroads would have shut down. As a matter of fact, having been intimately in contact with that situation over the period of days with the operating Unions and with the carriers and with the Mediation Board, there was just one thing that held it together and that was the railway trainmen of the Pennsylvania Railroad insisted on holding their jobs open and keeping the trains running. In the event that they had not held fast, the Central, the Lackawanna and the other carriers, recognizing the Pennsylvania as really the keystone of service, in spite of its symbol, would have shut down and we would have been in a sorry mess. Fortunately, they had courage enough, this Union, to hold on until the decision was made in New York City which terminated the strike.

Q Whereas, if that did happen, that certainly would be a direct encroachment on private enterprise, would it not, Commissioner? A Yes, sir.

Q And certainly it would not assist in resolving the commuter problem in South Jersey, would it? A Certainly not.

SENATOR FARLEY: Are there any questions?

SENATOR DUMONT: I have some.

SENATOR FARLEY: Senator Dumont.

SENATOR DUMONT: You mentioned here in your statement, Commissioner, about the necessity of the temporary expedient being continued for a period of three to five years. Now, does this mean that you will ask for at least \$6,000,000 a year, or contracting by the State with the railroads for at least three to five years? Is that the temporary expedient you are referring to here? A That characterization, yes, sir. This year, our request for the ensuing year, recognizing the carry-over in the budget of the million dollars for South Jersey and about a million two of unexpended funds - and I will explain why they were unexpended - and an additional request for about five million eight will give us, exclusive of the million dollars for the Haddonfield area, etc., grade crossing business, about six million two or six million four as against a distribution of last year of something around four and a half million, roughly. Now, the reason all of the money was not dispensed last year was because we could not execute the contracts in sufficient time to have the full 12-months period, so we paid on the basis of 27.2 cents per car mile for the 10-months period and that left us a remaining balance, and we are capitalizing on that remaining balance as carry-over to supplement and to enable us this year to distribute about six million three or four. And in so far as the ensuing years are concerned, we at present do not contemplate, Senator, any material gradations upward of that contract service, but there will be, as we face up to the problems of equipment, etc., and as to

where the money is to come from, other problems of expense that will have to be considered.

Q Well, then, with the unexpended balances being re-appropriated, how much new money are you asking for for the next fiscal year? A For the next fiscal year, about five million six, roughly.

Q And you figure that these requests will run in the neighborhood of six million dollars a year at least, for at least the next three to five years; is that right? A Yes, sir.

Q And if the Camden-Kirkwood Line gets to the point where you can eliminate the grade crossings, would you need an extra one million dollars each year on that, or more than that?

A That one million, not each year. As far as we know now, the first million is the only intelligent answer we could give, but that has to be still in reserve and is a carry-over. Let me add here, since you mention that feature, that our State is in great distress so far as grade crossings are concerned, and I do not want to emphasize or capitalize upon the distress of the loss of life in any commercial phase of it at all, but the occurrences at so many levels, including the loss of life, are such that some provision must be made for the elimination of grade crossings. Years ago, we had a bond issue, back in 1932 or '34, that was supposed to take care of that, but the shifts of point of view left the situation so I believe at the present time the PUC have only about \$600,000 in that kitty for possible crossing eliminations.

Incidentally, in our program at Aldene we will have to provide for eliminating grade crossings on about five streets, which will cost in the neighborhood of about three million

dollars. So that grade crossings as such in a State such as ours, which is a corridor state but which, however, originates the greater percentage of its traffic in its own confines - when funds can be provided, we owe it to ourselves to provide a substantial sum for the elimination of grade crossings, and down in Senator Stout's area there have been some distressing situations and I dare say in most of the counties of the State that have railroad service.

Q Have you any over-all estimate as to what it would cost to eliminate - I imagine you are referring to the most dangerous grade crossings and not to all of them - A I would say this, that if we could get twenty-five million dollars we could make an awful dent in the requirement and it would be such a constructive, salutary step that it would give faith and hope to so many communities that at the present time have almost given up the ghost of ever being able to straighten out that distressing grade crossing problem.

Q Was the Lehigh Valley one of the carriers that did not enter into a contract with the State? A Yes, sir. The Lehigh Valley had - our highest offer to the Lehigh Valley was about \$26,000. They pointed out that their out-of-pocket loss was about three times that. Yes, sir. The Lehigh Valley, originating in Pennsylvania, picks up a few customers at Easton and then picks up this main load at Flemington - about 128 commuters on that line. We spent days with the Lehigh Valley officials, all of them, and, incidentally, at that session Senator Lance sat with us, and it seemed to be the consensus of opinion that under all the circumstances, with the low volume of service or of people to travel, it wasn't possible to

accomplish the result. We did not make an arrangement with the P.R.S. & L, as I previously cited; we did not make one with the Susquehanna, which is in a distressing condition and which, incidentally, only has three trains a day each way at the present time, and they are going to give those up. We are trying to impede that cancelling of those trains.

Q So this \$18,000,000 that is paid annually to the State and local governments - as I understand it, all of it is paid to the State, but the State of course allocates the Class II railroad tax to the local municipalities in which the Class II property is located - isn't it true that about \$15,000,000 of that \$18,000,000 consists of Class II railroad tax?

A Yes, sir, - a little in excess of that; the Class I and Class II are about \$2,560,000 or in that neighborhood. The balance is distributed to the communities and of that, most of it goes to the occupancy in the water-front county of Hudson where the greatest amount of railroad occupancy exists.

Q What is it? About \$12,000,000? A About eleven million for Hudson County and, incidentally, the million four, I believe, or a million two-forty, that goes to the Town of Weehawken, represents about 44 per cent of their budget - 42 or 44 per cent of their budget. So it was perfectly natural at the inception of the first studies of the transport situation - for those communities that were occupied by the railroads to face up with the probability that they were going to be relieved of that money, and it simply meant great distress to them.

Q What does it represent percentagewise in the municipal budget of Jersey City? A I cannot tell that. Possibly

Senator Kelly would know.

SENATOR KELLY: About 20 per cent.

A About 20 per cent.

Q Perry Shoemaker , I think it was, at one time made a statement to the effect that the railroads of New Jersey pay, if my recollection is correct, \$10,244 for every mile of track that the railroads own and operate in New Jersey. Is that an accurate statement? A I am not certain of that, Senator.

Q I think he also stated that it was five times as high as the national average of railroad taxes. A Well, that's an unfair comparison because, when you think of the places such as Arizona, Nevada, Nebraska and Kansas and compare them to the density of population and property values in our State, there is no comparison, sir, for an adequate ruling, because the value of our land, etc. is at much variance with the other states.

SENATOR DUMONT: Thank you.

SENATOR FARLEY: Commissioner, for the purpose of the record, would you mind telling us the annual income that the State Highway Department receives from the taxpayers of the State of New Jersey? A Well, sir -

Q In round figures. I just want to show for the record the amount that you are allocated, the amount that you are entitled to, the amount that is diverted, and the amount that you use for capital improvements, for maintenance, etc.

A The collections from motor vehicle fees, registrations and gasoline, all of which were originally conceived to be applicable to highways, total about \$180,000,000. In the State of New Jersey funds cannot be dedicated; therefore,

that entire sum goes into the common kitty. The problem that New Jersey has is that a total of 35 states, either by dedication or by bond indentures, allocate all of such revenues to the construction of highways, and we are continuously compared as to what progress we are making in our state highway program with other states, with the unfair comparison, because we are limited and acquire only about 50 per cent of that total intake. A portion of that \$180,000,000 logically goes to motor vehicle inspection and operations, a certain proportion to the State Police, and I believe the total of that is about \$20,000,000, so it leaves about \$160,000,000, and we get fifty per cent of the balance. Now, of that, we are of course obliged and anxious to avail ourselves of all federal funds possible. On our interstate routes the Federal Government puts up ninety per cent of the cost. We only put up ten per cent. Some people have said that the Government buys the lunch and all we pay is the tip. That's about what it actually amounts to.

On the other highways; on the primary and urban roads, we put up 50 per cent and the Federal Government puts up 50. Then, in addition to that, the Legislature has allocated to us about 20 to 25 million for non-federal projects.<sup>41</sup> The total gives no consideration to the needs of the counties beyond the present formulas that we have of the Herrick funds and other funds.

I would like to avail myself of this opportunity to point out that when we are facing traffic conditions and traffic needs, we in this last request have requested an additional five million dollars, to be allocated to the counties on a needs basis, with the Highway Department to determine with the

local people, the Freeholders, where that money could be wisely spent. Every highway that we build dumps traffic on a city or in a county, and no consideration has been given to that. Our Parkway is a wonderful institution; our Turnpike also, but the congestion at some of the locations is terrific and we have got to recognize that, and in our consideration of this transport situation we have been giving a great deal of thought to that need as well.

Q You say that 50 per cent of the \$120,000,000, after you have deducted the amount for the Motor Vehicle Department -  
A \$160,000,000 - 50 per cent of \$160,000,000.

Q - of \$160,000,000 is diverted to other than Highway Department needs? A Yes, sir.

Q Could you venture a guess, as a result of the addition of the one-penny gasoline tax which was passed within the past few years, how much is used for highway purposes? A Well, I know that in one year we received - although for each cent we compute an income of about twenty-two million - one year we received only about seventeen million. The total gas tax in our State is five cents. The allocation can only be made, of course, from year to year under legislative procedure, so that our hopes are constantly that we will get all of the gas tax and that we will get as much more out of the gas situation as is possible. But to date we have not, for non-federal projects, been the recipient of all of the one-cent gas tax, but when you take the over-all and put all the money in the same pot and stir it up, we have had the "take" as you have outlined and as I have discussed.

SENATOR FARLEY: Any questions? Senator Kelly?

BY SENATOR KELLY:

Q Commissioner, when we talk of the commuter problem, recognizing that it affects all the people of the State, how many persons are we talking about who travel between New Jersey and New York, or in South Jersey to Pennsylvania and Philadelphia?

A In the New York area, we are referring to approximately, we will say - there are various approaches, but approximately 100,000, maybe a little less. And in the Camden area there may be another twenty-five or thirty. But the other side of it is that, of course, the families these days are bigger than one each in so far as individuals are concerned, and the net of it is that it isn't so much the individual who travels to pick up his pay check and gets taxed in New York State as it is of the influence he has on the purchasing power of the State. The commuter and the money that he brings back from his gainful employment represents such a large part of our economy that, in spite of the inter-state commuting, the inter-state commuter has much more of an influence upon the economy of the State than merely the fact that he is only 100,000 in the New York area and maybe twenty-five or thirty thousand in Camden and that we have six million people.

Q Well, perhaps, Commissioner, you have answered the next question already. There are 100,000 people traveling between New Jersey and New York. Specifically, to what extent do you feel the Port of New York Authority should involve itself in the commuter problem? A I feel to the extent of its bi-state and interstate interest, and were we to cause them to carry out to the periphery of either New Jersey or

of New York and encompass everything that we would fail to avail ourselves of the vehicle and of the financial structure of the unit as it is presently constituted which enables us to build the Port of Newark, the taking care of the airports and of extending the interests of the whole Port development.

Q When you say that the Port Authority should involve itself only to the extent of its interstate operations, that's a rather broad statement. Do you restrict that to the Hudson and Manhattan solely? A No, sir. It could deal with the ferry situation and there are some who feel that it might even deal with the terminals, but I do, in my conception, bar it from acquiring the Long Island Railroad or the Central Railroad of New Jersey or the Susquehanna and of operating, I believe - although sometimes there is a conception that, if you will, - I don't mean to typify any of these projects as rotten - but if an apple that is not in the best of health is put on a plate with eleven good ones, I do not believe the eleven good ones would cure the other one. I believe that the rotten apple would probably contaminate all the others.

Q When we speak of the commuter problem and the discussion we are having here today, are we in a sense restricting ourselves to the railroad commuter problem? A No, sir. We have, Senator, given great consideration and the bus operators have collaborated with us - we have also the truck people; we have had many discussions with them. Our conception of our problem is that the commuter problem has been overemphasized and our big problem is the transfer of people and goods and that, therefore, coordination of buses and of the trucking facilities, and of parking, and of the public

carriers and our highway program should all come under some directing unit.

Q In your prepared statement, Commissioner, you mentioned this temporary expedient for three to five years. What do you foresee in the next three to five years that would cure this problem of the State subsidizing in a sense the railroads?

A My feeling is this, and I am supported in this by our staff in their studies, that this contract relation is but a palliative, that it is not a thing that could be continued permanently, that with the consciousness of the Federal Government of the transportation situation, with the State's recognition to date to the extent that it has recognized it, and with the studies and the application that can be carried out, and by your Transit Division, that changes can be effected and consolidations made that will enable the railroads - and this is really looking in a crystal ball - in a period of some ensuing years, which might conceivably be in the period which you cite, to be self-sustaining and to pull themselves up by their boot straps.

Q You feel that this could happen within three to five years?

A Yes, sir, if you would give me a little more credit on the five than on the three.

Q This may be a question I shouldn't ask, but I think I will because I shouldn't: The referendum which Senator Farley referred to - using Turnpike surplus for the railroads - was defeated in this State, as I recall, by some 250,000 majority.

A Just that.

Q Could you tell me, Commissioner, why the people of the State defeated that rather than solve the railroad problem with these Turnpike surpluses? I mean, your opinion; I have my

own. A Yes. I would like to go on record by saying this, that we, in our Division, didn't do our job right. That's Number One. Number Two - we did not have sufficient time to provide the public with adequate information. Number Three - I believed it then - and I cite this even today - that the average citizen is wholly unconscious of the sword of Damocles that is suspended over his neck in the form of the loss of transportation. That, I believe, was the strongest element in the defeat. And fourthly, incorporated in that was the question as to whether or not, under the ruling of the Attorney General, it might be the tax situation dug into in the area in which you, sir, and other representatives are interested and in view of the fact that it was not clear in that aspect and it had that portent also. I believe with the combination - and I go back to Number One - I always feel that if a project that has merit doesn't get over the first time, most of them you can try again, but in this instance I think it is due to the fact that it wasn't sold properly, and that is our fault - my fault.

Q Well, Commissioner, in connection with that referendum, do you recall whether or not there was an intention to revise the railroad tax structure? A There was no intention to do it, but there were so many unknown quantities attached to it - and I sat in and I think you did also on numerous conferences where there was such a conflict between the various attorneys that one could not tell which way we were heading, and I feel that the area which you occupy was justified in having fear of the consequences, and I believe also that the work that was done by some of your communities contributed to informing the public of the facts as your communities saw them and therefore contributed to its demise.

Q It has been mentioned here that the railroads today pay some eighteen millions of dollars in taxes. A Yes, sir.

Q And it has been mentioned that some eleven of that goes to the municipalities located in Hudson County, and it has been stated that, like all good taxpayers, the railroads feel that they are overtaxed. Are you familiar, Commissioner, with a memorandum written by the former Treasurer of the State of New Jersey around 1956, Aaron Neeld, on the railroad tax problem?

A Some part of it, yes, sir.

Q Do you recall that in that memorandum, Mr. Neeld said that the railroads were the most favored taxpayers in the State?

A Yes, I recall that.

Q And that if the homeowner had the same benefits that the railroads are granted by this State, they would be in a very happy position. A I remember that that was his opinion.

Q May I, Mr. Chairman, ask - I don't have a copy of that - but I would ask that a copy of that memorandum be made a part of the record of this hearing?

SENATOR FARLEY: At the request of Senator Kelly, that memorandum will be made a part of this record. (Exhibit A-1) (See p. 86-A)

Are there any questions?

Senator Ozzard?

BY SENATOR OZZARD:

Q Commissioner, first my apologies for arriving late in the middle of your presentation. A You're fortunate.

Q Well, I am not sure of that, because I had to read instead of listen through the first five or six pages here.

You know that the commuter problem is part of this Port Authority inquiry and your report is most comprehensive, but I join with Senator Kelly in wanting some specifics here about the Port Authority's possible participation. Your statements as to the bi-state interest of the Port Authority I can't dispute, but they are rather general in nature. Has your Division reached a point where it can take a position as to whether or not the Port Authority should (1) enter into the area of taking over terminal facilities, which I understand contribute to a great deal of the loss because of the separation of terminal facilities of the railroads; (2) and this is in relation to the fact that your loss figures show that the railroads are losing not only in passenger service but freight service as well, and I learned from discussions a year ago with the Lackawanna that this is a fact - as to whether the Port Authority should also move into the area of freight terminal facilities and freight handling in the Port District so that, through a combination of Port control of passenger and freight facilities and distribution of passengers and freight, it might reduce and possibly eliminate many of the railroad losses. A Senator, Number One, we would register no objection to an analysis of the propriety of the Port Authority giving consideration to the taking over of terminals. Number Two - I called a meeting in New York, at which Mr. Tobin of the Port Authority and Mr. Gilman and Mr. Thomas, my associate, meeting with Mr. Simms, Chairman of the Board of the Pennsylvania Railroad, and Mr. Allen Greenough, the President, and my so-called counterpart in New York State, Mr. Arne Wiprud, for the purpose of proposing that an exhaustive study be started immediately by the Port Authority of the terminal facilities

of the transport and of all of the marine operations both of passenger and of freight. Following that meeting at which those two gentlemen indicated - I think Mr. Jim Crandall was there too - a strong tendency to acquiesce, they met with the other railroads and following that I have a letter from Mr. Greenough saying that the Associated Railroads of this area would be delighted - this includes the New York Central and the other railroads, as well as the Jersey ones - would be delighted to enter into a study of the Port Authority and these two agencies of New York and ours in New Jersey - a study of the Port facilities, and it is felt from an analysis that has been made over a period of years and from some of our current investigations that great gains can be accomplished through that channel. And along with that, if we disposed of the ferries, for example, at Communipaw there would be a substantial acreage available there for disposition for industrial purposes. The tax on that at the present time is about \$526,000, so that would mean some further savings as to the Central Railroad. On the other hand, they might have to acquire some coal-handling facilities to the south of that and that full five twenty-six might not be realized, but approximately that. The appointees have been set up - Mr. Flackenstein of the Associated Railroads, Mr. Gilman of the Port Authority, a delegate from New York, and Mr. Herbert Thomas of my staff - to engage in that study. They are presently going through the agonies of setting up the agenda and the approach. But I assure you of this, that the railroads are completely open and cooperative in their willingness and desire if we can show them a way out of this morass, including the waterfront situation, and they will go along with

us a hundred per cent. And we feel that there would be pay dirt in that direction and we are wholly unwilling to continue on the contract basis alone without going to all facets of that opportunity.

Q Commissioner, in the studies of your Division and the work you have done and the associations you have developed in the railroad problem, how much, in your opinion, of the current situation - I am speaking of the commuter situation - might be laid to a deliberate attempt by some or many of the railroads to get out of the passenger business and thus follow a planned program of deterioration of service and to seek the end of ultimately being a freight-carrying business alone, which apparently can be profitable and is certainly devoid of many of the headaches of the passenger traffic.

A Well, I have heard, as you have, of that rumor and with the avowed purpose of getting the facts, I sat down with the heads of each one of these carriers, and my conception is that there was little grounds for that. However, the attachments that some employees may have had, and some parties had partial interest along the route - there were sufficient evidences of a disregard in some places of courtesy and of schedules and of cleanliness of cars and other things that were interpreted as part of a program of discouraging passenger traffic. I realize, having been in the business that I was attached to, that you are very conscious of items on which you have a loss but, in our business that I was in, we purposely sold many items at a loss because, by distributing those to the people who bought profitable items, we were able to hold our customers. And I believe that the railroads, with the help that we can give them and with the

perspective that they have, have got that observation at the present time, and I believe that it can be accomplished so that freight and passenger service both can be maintained, but it's going to be a big job.

Q One last question, Commissioner. Has your Division, with or without the aid of the railroads, given any attention to or made any study of the possibility of the elimination of so-called whistle stops and the many station facilities that dot these lines and looking toward a possible program of centralization of station facilities in conjunction with feeder roads by the Highway Department, since these stations in my opinion were placed at distances predicated on the horse and buggy and are certainly now in a rubber tire age and are a proper subject for consideration for relocation and centralization of station facilities with adequate parking and feeder roads by the Highway Department.

A Senator, your suggestion would almost lead me to believe that you had not only sat in on our meetings but that you had directed some of them, because we subscribe fully to that suggestion that the whistle stops have got to be eliminated; that the only way to attract the customer to come back to the railroad is to give him a quick store-door delivery trip. And if we can carry back the H&M service or similar service as far back as Somerville and get the customer on at that point and deliver him to uptown New York, we will then have done a job.

In so far as elimination of stations, it has been studied carefully with our real estate expert that's a member of our Division. We have knowledge of certain stations that can be completely eliminated. We also are working on a

plan to get municipalities to take over those stations and to rent to the railroads sufficient space for ticket service. We also have worked with the railroads and, although they under their own steam have accomplished it, we have been of some assistance in the disposal of excess real estate and also the setting up of parking areas which are essential today in order to get people to ride on the trains.

So your point in connection with the elimination of stops facilitating travel, we believe that on this Central Railroad situation alone, from the shore, that we will pick up anywhere from 11 to even 20 minutes improved time and maybe even more in getting people to the city. So we are trying to gain time for the people, we are trying to give them what we call store-door delivery and at the same time eliminate, as you point out, these antique points which are no longer part of the necessity.

SENATOR OZZARD: Thank you.

SENATOR FARLEY: Any further questions?

(No questions)

BY SENATOR FARLEY:

Q Commissioner, do you feel that this serious plight of the commuter problem in New Jersey is brought to the attention of the voters in 21 counties, and the voters are made aware of the seriousness of it, would you then be an advocate of another referendum with the same program involving \$77 million? Would you advocate another referendum in the future?

A Senator, for me

to express an opinion at the present time, I'm afraid would be an attempt to fracture my arm by patting myself on the back.

I think the selling job to be done, we have to have a little clearer perspective of than we have at the present moment. I believe that that's got to be done but I believe also that there are certain other ailments that we must, with our responsibility, take care of before we would be willing to proceed to take that risk.

Q Of course, you naturally are conversant with the fact that this involves bus transportation, ferry transportation, the general commuter problems in addition to railroads. You appreciate that.

A Everything.

Q All of your testimony has been predicated upon the fact that you had knowledge that that was merely an artery, so to speak, of the commuter problem.

A That's right. We believe in taking in every mode of transportation except what used to be referred to as "Shank's Mare," which means the shoe industry.

Q And naturally it would tie in with the Highway Department, as was pointed out by Senator Ozzard, as a feeder road, so to speak?

A Yes, sir.

BY SENATOR DUMONT:

Q Commissioner, when the Port Authority made its proposal in September, at our hearings then, to take over the Hudson & Manhattan Tube, they surrounded their proposal with certain restrictions which, so far as I could tell, were designed to eliminate any real obligation on the part

of the Port Authority beyond taking over the Hudson & Manhattan Tubes, at least so far as the railroad field was concerned. Do you consider those restrictions that they surrounded this proposal with as reasonable ones?

A Yes, I do. And I have so stated in my proposal and I do it purely on the basis of what experience I may have had in the field of finance and industry, and of what we are hoping to obtain and acquire in the future in the expansion of facilities that the Port can supply.

Q So that you feel if they were to carry out this proposal and purchase the Hudson & Manhattan and do all the rehabilitation that's necessary; they would be doing a, shall we say, satisfactory job, at least in your opinion so far as carrying out their obligation in the railroad field?

A I would say this: 1. That they would be doing a fabulous job and accomplishing something that has been talked about for 40 years and which no one as yet has had the courage to tackle and which now is within our grasp.

My feeling also is this, in talking with various Commissioners and talking with people in the financial district, that this is not a decision of the Port Authority as such, of a rebellion against going further into transportation, but of the investor, you and I if you will, although we are not investing this morning, whether or not we are willing to loan money to finance obligations that have such distressing characteristics as the present situation. And even the Hudson & Manhattan, which some believe can be brought into a position of profit, which

with what little I know I greatly doubt, - it is presently contemplated that there will be a loss of at least some \$5 million a year in that operation, and probably a total laying in of risk capital of some \$80 million. And it seems impossible, from all of my direct - and not through any other channels - direct contacts, to observe that money could be loaned for even the acquisition of the H&M in the event there was not some assurance that this just wasn't one bite of the cherry and that further transportation business was all to be pulled together. I think it's simply a question of whether the investor says yes or no, and at the present time my observation is that the investor says no unless he has that limitation.

I think, so far as the Port Authority is concerned, that the State felt that they wanted to guarantee the bonds, the investor's bond, then the investor, of course, would be tickled to death to do it. And I think that their capabilities and efficiency are perfectly adequate to even tackle such an encumbrance as this whole transit situation.

Q This \$5 million loss annually that you forecast would be borne by the Port Authority? A Yes. It would have to come out of their kitty, out of their general reserves.

Q Now actually, while this proposal was made by the Port Authority through Mr. Tobin at our hearing in September, is it not true that you and your associates had much to do with the development of this proposal?

A We certainly feel that we had, Senator.

Q You mentioned before, when you were talking about the Highway revenues and the county situation -- isn't it true that the amount of State Aid to the counties for construction of county roads and bridges has been static since 1947?

A It is, Senator.

Q It has never been increased in that time? A. No, sir. The entire aid is approximately \$16 million, a little less than \$16 million. And I would like to go on record as saying that I think it's a tragedy that more consideration has not been given to the county and municipal needs.

Q Isn't it also true that during that same period of time the costs of county roads and bridges to the counties themselves have tripled?

A Yes, sir. That's right.

Q Now, there's a question here that seems to be a very reasonable one - it mentions: How many commuters are there who go daily between New Jersey and New York City by all means of transportation, rail, bus, and private automobile? You mentioned 100,000 but that, I understand, is only by rail.

A Yes, sir.

Q Now do you know how many actually go between New Jersey and New York City each day by all modes of transportation?

A Well now, we have the figures and Mr. Thomas is present and I think he can give them to us.

MR. THOMAS: The total figures of all means of transportation - rail, bus and private auto, and rail ferry - come to some 380 or 390,000 thousand . thousand.

SENATOR DUMONT: Per day?

MR. THOMAS: Per day. In one direction.

SENATOR FARLEY: Can you break that down?

MR. THOMAS: I think I can if I get some material out of my briefcase.

SENATOR FARLEY: Well take sufficient time.

THE WITNESS: It is broken down into 3 classes, bus, train and automobile.

SENATOR FARLEY: May I suggest, if you need additional time and the Commissioner has finished with his testimony - may I thank you, Commissioner for appearing --

SENATOR DUMONT: I have another question, if I may.

SENATOR FARLEY: I'm sorry.

SENATOR DUMONT: Just one more question.

Q Isn't it true that in regard to Public Question No. 3, I think it was, on the ballot in 1959, which was the transportation question for use of the Turnpike Surplus, that one of the misunderstandings by the people generally may have been that they thought this money was going to be used to a much larger degree for railroad subsidization, if we may call it that, rather than for all modes of transportation which actually the question was directed at?

A Yes, sir. That is right at the core of the whole thing.

SENATOR FARLEY: Any further questions from any Senator? (No questions)

SENATOR FARLEY: Commissioner, first, I want to thank you for appearing and furnishing the necessary data. May I suggest that if you have additional data or statistics or any further recommendations that you have not covered this morning, this Committee will be very happy to have them at any time.

THE WITNESS: All right, sir. May I add this, that I apologize for the shape that this presentation is in and by tomorrow I hope that we will have this in printed form so that it may be more readily acceptable.

Thank you very much for the privilege of appearing, and I really mean that and not only from the transportation end but from a personal standpoint.

Thank you very much.

SENATOR FARLEY: Thank you very much, Commissioner.

All right, we will now call on Mr. E. T. Moore, President of Central Railroad of New Jersey.

E. T. M O O R E, called as a witness, being duly sworn, testified as follows:

BY SENATOR FARLEY:

Q Your residence, Mr. Moore? A Westfield, New Jersey.

Q I understand that you voluntarily requested to appear before this Committee to give us information and data

that would be of interest to the Committee. Will you proceed, Mr. Moore, please? A Yes, Senator.

MR. MOORE: I would like to present very briefly what might be termed the railroad side of this problem and, more specifically, that of the Jersey Central Railroad.

The Jersey Central Railroad operates in 17 of the 21 counties in New Jersey and provides commuter and suburban rail transportation between downtown New York, Newark and Hampton, New Jersey, on its main line, and Bay Head Junction and Atlantic Highlands on the north Jersey shore.

We currently employ about 4300 people in the State of New Jersey with an annual payroll of about \$22 million. Just ten years ago, in 1951, the Jersey Central employed more than 7300 people in New Jersey, with an annual payroll in excess of \$24 million -- about 3,000 or 42% fewer jobs today. Currently about 1500 of these employees are in passenger operations, with an annual payroll in excess of \$7 million.

We operate 161 suburban and commuter passenger trains, serving approximately 11,000 commuters and a daily average of 2500 other passengers who live or work in Hunterdon, Middlesex, Union, Essex, Hudson and Monmouth Counties.

Snowstorms invariably emphasize the reliability of rail service. During the December snowstorm we accommodated more than 10,000 additional passengers daily. During last Friday's snowstorm, despite the interference with operations due to the Harbor Strike, we handled a substantial number of

people who normally use the highways. These people came to the railroad despite the excellent job the State Highway Department does in removing snow -- and I might add with taxpayer dollars, while the railroad has to remove the snow from its right-of-way as its expense.

In other emergencies, the railroads go to greater extremes than is generally realized to accommodate the public. During the recent Harbor Strike, the Jersey Central made arrangements to transfer its New York and Newark passengers to the Pennsylvania Railroad and Hudson & Manhattan Railroad without any extra expense to the passengers, but at a daily cost of approximately \$12,000 to the Jersey Central. In addition, the Jersey Central operated four of its trains from the shore area over the Pennsylvania Railroad tracks to Exchange Place, Jersey City, where the passengers could transfer to the Hudson & Manhattan Railroad. Despite the inconvenience involved, substantially all of our regular passengers continued on the trains.

These experiences emphasize not only the railroad's special efforts to continue to serve the public in emergencies, but also the public's continued need for the railroads.

Of course, this essential public service is supplied at staggering losses, but it is sometimes difficult for those who do all of their train riding in commuter hours to understand why the railroads fail to make a profit on passenger operations. It seems that a train

of a dozen cars, filled with almost 1,000 passengers, must take in more than the cost of making the run -- and it does. Such a train would make money if some way could be found to start all costs at the beginning of the run and stop them at the end of the run.

But what about the idle time of men and equipment required to handle the peak commuter loads? Any businessman realizes that idle time of plant and equipment is costly; and that to make money a high utilization factor is essential.

The Jersey Central operation is typical of this uneconomic idle time factor. To maintain its heavy peak-demand commuter service, its expensive diesel locomotives are idle 65% of the time despite the fact that we make every possible use of these diesels in freight service. Passenger cars are idle 83% of the time and 59% of the wages paid to train employees represent time paid for, but not worked, so that the men will be available for the peak hours. The Jersey Central has no use for its ferryboats 60% of the time.

In addition to the economic waste represented in this idle time factor, the Jersey Central, like other commuting railroads, does not have a sufficient number of passengers on a large majority of its trains, particularly during off-peak hours, to pay even the out-of-pocket costs of the run.

Providing this essential service, which is used by the public about 20 hours a week, results in a loss to the Jersey Central on a fully allocated Interstate Commerce Commission basis, in excess of \$5½ million annually, more than \$4 million of which is recoverable -- that is to say, we would be more than \$4 million in pocket if we did not

provide the service.

The Jersey Central does not have the complications of most railroads in determining recoverable passenger losses. Ninety-nine plus percent of our passenger operations are in New Jersey. And practically speaking, we do not operate any long road or through passenger service. For all practical purposes, it can be properly said that all passenger operations of the Jersey Central consist of short haul commuter suburban service, almost wholly within the State of New Jersey.

Last year, the New Jersey Legislature authorized the Commissioner of Highways to contract with the railroads for continuing to provide commuter service which, in his opinion, was deemed essential. The amount paid is inadequate to enable the Jersey Central to continue indefinitely to provide this service. The payments we receive represent less than 30% of our recoverable loss, and it might be worthwhile here to consider whether they are, in effect, a "subsidy" as that term is generally accepted.

Subsidy is not a pleasant word. Most of us consider it contrary to the basic principles of the American way of life. No one likes the idea of paying part of someone else's bills. Yet paradoxically, practically all taxes are a form of subsidy either direct or indirect. A large percentage of the taxes we pay are used to maintain some necessary public service for which the user or beneficiary does not pay the whole cost.

Usually, however, we think of "subsidy" as underwriting

someone in a business in which he has chosen to engage and out of which he intends and expects to make a profit. In other words, subsidy usually connotes sort of a free ride - it represents compensation received by an individual or a company willingly engaged in a business where the direct income is insufficient to pay the costs.

Payments to an individual or a company compelled to perform an essential public service at specified rates, which represent less than cost, is in my opinion the color of a different horse.

If these payments are a subsidy, they represent, in my judgment, a subsidy to the commuters, to the communities which could not exist without the commuters, and to some extent a subsidy to the employers by whom the commuters are employed.

Most of us have been taught that to be in business, or more particularly to stay in business, it is necessary to make a profit. Measured by this standard, providing commuter service is not a business.

In simple fairness, no industry should be required to perform a public service without adequate compensation. Not only is it unfair to ask an industry to furnish a necessary service at less than cost - it is folly to expect it to continue without harm to the service rendered.

The community at large must decide how this difference between the cost of the operation and the revenue from users should be made up. Should the users be asked to pay it all - despite the hardship on individuals and the danger of causing extensive and undesirable shifts in population?

Or should the whole community, recognizing in its commuter population a substantial source of prosperity, help - just as the community as a whole aids in road construction or the maintenance of a fine school system?

Without aid, the railroads have little choice. They must try to cut their costs by diminishing service and to increase their revenues by more fare increases until the charge to the user is equivalent to the cost of the service.

Public utility laws, as administered by regulatory commissions, are based on the philosophy that public necessity and convenience require railroads to furnish some services at rates that do not pay the cost of such service. This philosophy may be justifiable up to a point, but certainly a private enterprise in this country cannot be forced to provide service at losses which threaten its solvency.

On the Jersey Central today, profits from other operations are no longer sufficient to absorb losses from passenger operations. It is true that these passenger losses have been with us for a long time, but the last year in which the Jersey Central had an over-all profit was in 1957, when our net income was \$42,695. In 1958, we had a net loss of \$1,900,000. This increased to \$2,800,000 in 1959, despite a tax credit in excess of \$1,000,000. Our net loss in 1960 was in excess of \$4,300,000.

Surprising as it may seem, I have heard some responsible people say that if the railroads cannot make ends meet let them go into bankruptcy. The hard facts are that for the last two years the Jersey Central has not even earned its

operating expenses, and if we were able to eliminate all fixed charges through bankruptcy proceedings we would still not have sufficient income to meet our payrolls and pay our New Jersey taxes which amounted to \$3½ million last year. This leaves only two possible courses to follow - one is complete abandonment of the railroad, such as happened in the case of the New York, Ontario & Western Railroad; and the other is State ownership and operation of the railroad.

The enactment of the contract legislation was a definite step forward, one that must be continued, with an increase in compensation until some better means can be found to solve this problem. This is fully realized by Commissioners Palmer and others who have been studying it. I agree with the Commissioner's further conclusions that the next step that should be taken is to make more extensive use of existing facilities. This is the philosophy underlying his program for diverting Jersey Central traffic to the Pennsylvania Railroad station at Newark, where passengers may transfer either to the Pennsylvania or the Hudson & Manhattan Railroads. Making this practical will require a substantial amount of new and expensive equipment on the Hudson & Manhattan Railroad and a general rehabilitation of that property.

Carrying out this next phase of the Palmer report and recommendations will be another important step, but the ultimate solution will probably require participation by all interested parties. The Federal government, the State, the communities and the commuters themselves, as well as

the railroads, not only have a stake in the solution but must participate in bringing it about. It is obvious that the only alternative to continuation of commuter rail service in North Jersey is more highways, for which there is neither money nor space.

The Federal and State governments have, for years, accepted the responsibility for highway construction and for this reason, together with the general interest in the economy, they must participate in the ultimate solution.

The community is an interested party because it benefits directly from rail service. The entire economy of many of the communities we serve is completely dependent on good rail commuter service. For instance, in Westfield, Plainfield and Cranford the population is preponderantly commuter and these people cannot continue to live in these communities unless rail commuter service is available. Therefore, the communities should have a part in the final solution of the problem.

The commuters, of course, are the direct beneficiaries, and they must make their contribution - perhaps in the way of somewhat higher fares.

The railroads are in the business of transportation, and if some way can be found to make it possible for them to continue to provide this essential service, I am sure they will be willing to do their part.

I have thus far refrained from mentioning the Port of New York Authority in connection with rail commuter transportation. Certainly they have an interest as well as

an obligation to assist in solving the problem. The Port Authority should be just as willing to promote and help to retain essential freight and passenger rail transportation as they are to promote highway and air transportation. The Port Authority is currently sponsoring a study, with the cooperation of railroads, for the consolidation of the railroad marine operations and if this study indicates that such a consolidation is economically sound and in the public interest, the Port Authority should assist in bringing it about. I believe, however, it would be most unwise to expect the Port Authority to take over the whole burden of mass transportation in the New York metropolitan bi-state area.

The Port Authority, historically, has had the obligation of providing bridges and tunnels for a convenient crossing of the Hudson River. Their extensive facilities have syphoned the profitable portion of this trans-Hudson traffic from the railroads who originally provided the sole means of the river crossing. They should now take the unprofitable with the profitable and assume their full obligation of providing whatever facilities might be essential in the public interest to transport people and vehicles across the Hudson between New Jersey and New York in the metropolitan area. The Port Authority should unquestionably acquire and rehabilitate the Hudson & Manhattan Railroad, which would eliminate the need for antiquated ferry service which is expensive to operate and does not meet present-day transportation needs.

SENATOR FARLEY: Are there any questions?

BY SENATOR DUMONT:

Q Just one thing. I would like to know whether these statements that was made in regard to the amount of taxes paid in New Jersey by one of your railroad men, some years back, and how many times it was above the national average, is an accurate statement or not. Now, it was attributed to Mr. Shoemaker, and the statement was that for every mile of track owned and operated in the State by the railroads the tax amounted to \$10,244, as I recall it. Is that right or wrong?

A That is approximately correct. I couldn't verify it precisely by the precise dollars but that is approximately correct.

Q And that it amounted to five times the national average of railroad tax. Is that right?

A It's more than five times the national state average of taxes paid by railroads. It's a little more than two times the average paid in New York State and more than five times the national state average.

SENATOR DUMONT: That's all. Thank you.

BY SENATOR FARLEY:

Q Mr. Moore, how many people do you transport by means of your railroad facilities?

A About 11,000 commuters and about 2500 straight fare passengers a day.

Q Do you have freight service in conjunction with passenger service?

A Yes, sir.

Q What amount of freight do you haul, per year, if you have knowledge of this?

A Well, we

average about 2,000 carloads of freight a day.

Q Is your freight operation a profitable operation?

A At the present time, based on the year 1960, I should say our recoverable passenger loss was \$4½ million; and our loss from all operations was \$4,300,000. So that would indicate that our freight operations had a slight margin of profit.

Q How many men do you employ in your railroad?

A About 5,000 people, all told.

Q And your line runs in Hudson, Monmouth, Union, Middlesex, Ocean, and what other counties? A All the way down to Bridgeton.

Q Down to Bridgeton? A Yes. All the way from Bridgeton, New Jersey, to Scranton, Pennsylvania.

Q In New Jersey how many counties does it cover?

A Seventeen out of the twenty-one.

Q What would you say the value of your freight stations would be, if you do know, in these various spots throughout the State, approximately? A I don't have that figure but our freight stations, as such, with one or two exceptions are not very expensive.

Q The cost necessarily involves the hiring of employees to maintain this service. Is that correct? Is that your chief cost? A The payroll is the biggest item of expense.

Q What is your payroll per year, if you have any knowledge of this, approximately? A About \$36 million.

SENATOR FARLEY: Any further questions,  
Senators? (No questions.)

Thank you very kindly, Mr. Moore.

JOHN J. CLANCY: Mr. Chairman, might I, with  
your consent and that of the other members of the  
Committee, have the record indicate that Mr. James  
Kellogg, Vice Chairman of the Port of New York,  
and I, John J. Clancy, Member of the Port of New  
York Authority, both from New Jersey, have been  
in attendance at this hearing?

SENATOR FARLEY: It will be so noted on the  
record.

I would like to call, if I could right  
now, but I think we should recess for lunch, the  
representative of the commuters. I would like to  
run this chronologically but I do appreciate the  
various problems that you have encountered but  
it is now after 1:30 and I am obliged to recess  
this hearing at this time, to return at 2:30.

I think the next witness will be Mr.  
Harrison and then Mr. Taber and thereafter we  
will call on the commuter representatives.

We will recess until 2:30.

(Recess)

(Afternoon session)

SENATOR FARLEY: The hearing will come to order.

T H O M A S T. T A B E R, called as a witness, being duly sworn, testified as follows:

BY SENATOR FARLEY:

Q Will you give your full name, Mr. Taber, please?

A My name is Thomas T. Taber.

Q Where do you reside? A I reside at 43 Hillcrest Road, Madison, Morris County.

Q New Jersey? A Yes, sir.

Q I understand that you want to inform this Committee of certain salient facts and features concerning the commuter problem. Is that correct? A I would appreciate the opportunity.

Q All right. Go right ahead. A First, if I may interpolate before starting on my statement, I would like to say that we of the Morris County Railroad Transportation Association feel that we have three keynotes; that if those are established the rest of the problem falls down into its component parts.

First, we must have railroad passenger service. That has been said repeatedly by the Regional Planning Association, The Metropolitan Transit Commission, Commissioner Palmer, and also by the Port Authority. So I think we can accept the fact. And it is particularly important to Morris County because we, sort of like your county, Senator, are faced with a terrific population increase within the next fifteen years which would be impossible to move by highways.

Second, we want to keep our railroad passenger service under private enterprise.

Third, we believe that the Port Authority has contributed, perhaps not intentionally, to the present plight of the railroads through the furnishing of its tax-free facilities and services for the railroad's competitors.

Consequently, fourth, the Port Authority has a statutory obligation, as outlined in the bi-state pact, and in addition a moral obligation, because of having helped the competitors of the railroads, to help as much as it properly may - and I would like to repeat, gentlemen, - as it properly may. - what that is, I don't know. - in the solving of our commuter problem.

I would like also to say, gentlemen, that we in Morris County deeply appreciate the splendid work which is done by Commissioner Palmer and his Director, Mr. Thomas, in seeking to find a happy and fair, not only an immediate but a long-term solution to the problem of the mass movement of people in New Jersey.

I think the State of New Jersey is very fortunate to have such a dedicated, capable official as Commissioner Palmer. It has been our privilege and pleasure to work with him and I hope we may have that for a long time.

I would also like to commend him for his very complete and informative statement this morning. And we too would like to urge not only that you gentlemen consider the continuation but an increase in the amount of money to be made available for the 1961-1962 service contracts for the

maintenance of essential passenger transportation.

With your permission I will dive into this statement.

First, may I say, Senator, here is a letter directed to you, sent to me by Mr. Van Horn, representing one of the commuter groups, who was unable to be here today. I will just offer that to you without comment.

SENATOR FARLEY: Thank you.

(reading) My name is Thomas T. Taber, and I reside at 43 Hillcrest Road, Madison, Morris County, New Jersey, where I have owned my home for thirty years. For many years, in connection with my gainful occupation I commuted to New York on the Lackawanna Railroad, so can claim some practical experience with commuting by railroad.

I appear before you as Chairman of the Morris County Railroad Transportation Association, which is an Agency of County government, as it was created and has been supported by the Board of Chosen Freeholders of Morris County for the purpose of preserving, and improving railroad transportation service in Morris County. We believe that we represent, and we have always tried to present to you gentlemen, the "Public Interest" which so often is overlooked in matters of this sort.

Because of the extremely short notice of this hearing, there has not been time to prepare a detailed statement, so this must be short and rather broad. We respectfully request that you set, in the future, and at your convenience, a date when all of the official transportation groups, as well as the so-called "Commuter Groups" may offer their comments and suggestions to you.

We ask for a minimum of two weeks advance notice, so that we will have time to prepare a proper statement, and make arrangements to leave our vocations to attend the hearing.

It is my understanding that your Committee is interested in knowing to what extent the Port of New York Authority, has or should, participate in the solving of the railroad suburban service problem of Northern New Jersey. You are all aware of the gravity and the immediacy of this problem, which we consider to be New Jersey's "Number One Problem." Just recently our friends in South Jersey, who had considered our railroad passenger service problems of little concern to them, awoke to the fact that we had certainly told the truth when we said that it was a statewide problem.

I think you'll agree to that, Senator.

SENATOR FARLEY: I certainly do.

We are also pleased to note that the Senate now recognizes the fact that the Port of New York Authority has played a part in helping to create the suburban railroad passenger service crisis. I am sure that you also believe that the Port of New York Authority has a responsibility for actively participating in the solution of the problem, which it helped to create.

You are also aware of the fact that the tax-free facilities and services which the Port of New York Authority has supplied for the competitors of the railroads, has permitted them to take a great volume of business from the railroads. Had the Port Authority been fair about it, and done just as much - and no more - than it has for air and highway transport, for the railroads,

we probably would not be here today wrestling with a most serious and pressing problem.

We all know that the Port of New York Authority has successfully evaded, to date, its obligation as spelled out in the old bi-state compact, to try to improve transportation by railroad. How much longer it can continue to do so, is largely in your hands.

There is no use belaboring a dead horse nor rehashing the sins of omission by the Port of New York Authority in failing to aid railroad transportation in its area, for the Port has accomplished wonderful things for the State, and has done remarkably well with every project that it chose to undertake.

Certainly the leadership which has made the many other accomplishments of the Port of New York Authority possible, could have done something outstanding for the New Jersey taxpayers who travel to work by train. The point is, the Port did not want to get involved in rail passenger service problems or projects, so, being the master of its own destiny, it kept out of that field of transport - and got away with it.

Before anything can be accomplished, it must be recognized by the Legislature, as well as by the Port of New York Authority, that the Port has a responsibility and obligation, which it can no longer evade. When it is decided that the Port must do its fair share toward aiding and solving railroad passenger service problems, then it is much easier to determine just what its fair share should be.

We consider the proposal of the Port of New York Authority to acquire, and presumably operate, the Hudson & Manhattan Railroad, the first public admission of its obligation to help

solve the railroad passenger service problem. However, it is our belief, based on the terms under which the Port said it would take over the Hudson Tubes, that this action by the Port was not intended to be as beneficial to rail travelers as it was to the Port of New York Authority.

Judging by the terms, the Port was willing to spend many millions of dollars on one project, provided that it should be freed forever of any further obligation. That sounds a lot to me like the prisoner at the bar pleading guilty to a minor charge rather than run the risk of standing trial for a major crime. Furthermore, the Hudson Tubes are only a small part of the over-all railroad suburban service problem in the Port's area. And if the railroad service should end, the Hudson Tubes could not continue without railroad passengers. Let's look at the over-all, rather than permit the Port Authority to wriggle out of the picture disguised as a Hudson and Manhattan car.

You gentlemen are aware of the fact that the Port of New York Authority does not operate any transportation service itself, and we agree with that policy. We would prefer to keep our transportation services under the private enterprise system. If you permit the Port to get into even a small railroad operation, the camel will have his head in the tent, and the first thing you know the Port's railroad operations will spread like crab grass in August.

The Port performed a fine and much-needed public service by building the bus terminal in New York City, even though it does not operate any busses itself. It has built airports, but it flies no planes. It has constructed truck terminals,

but operates no trucks. It has built grain elevators, but it does not grow grain. And although we know that it built a hotel, we don't know that it even sleeps in the hotel which someone else operates.

All of this adds up to the fact, that the Port has successfully provided excellent facilities for others to use. It provides the Lincoln Tunnel, and you use your own cars to pass through it, except during heavy snows when motor vehicles cannot move and then the tunnel was graciously made available to travelers who furnished their own transportation - good old reliable "Shanks Mare." - I refer to the December 12th snow storm.

I may be incorrect, but I believe that the hikers were graciously waved by the toll booths without being stopped to feed the cash register.

If the Port of New York Authority could build a mammoth bus terminal at 40th Street and Eighth Avenue in New York, why should they not purchase the Pennsylvania Railroad Station, just eight blocks south, and make it available, on a rental basis, as a Union Station to be used by all New Jersey railroads which are willing to pay the fee?

Obviously, they would lease-back to the Pennsylvania Railroad the office and other space needed. But the Port Authority could welcome other railroads just as they welcome everyone's busses, and that would provide a greatly needed public service and would not require the Port Authority to run any trains.

Now, if we are thinking of other possible projects related to the movement of the public by railroad - and as you gentlemen

know, that's the only way the public could move during the past heavy snowstorms - in which the Port of New York Authority might engage, how about their taking over the Erie-Lackawanna, and Central of New Jersey terminals - sort of another bus terminal operation, and leasing the facilities back to the railroads?

They would not have to operate any trains in either terminal, and they would have the further advantage of having two terminals which are so well ventilated that the passengers do not complain of fumes and smog.

If the Port Authority likes to own river crossings, but the kind where they furnish no motive power or equipment for moving the public, should they not consider taking over the ferries and leasing them back to the railroads?

It would be a grave error to eliminate the ferries, for if that were done, how would the trucks loaded with flammables and explosives, which are banned from the tunnels, cross the river?

Also, what would the commuters do when the Hudson Tubes has its next strike? It has had them before and if the line starts to appear prosperous or if it should have a monopoly on carrying passengers across the Hudson River, it would not take the unions long to pull a strike. It seems to be fashionable today to strike against the public and try to make the commuters as miserable as possible, even though they are not the cause of the strike.

One would think that perhaps the Port of New York Authority would see the wisdom of having either the Hudson Tubes or the Newark City Subway extended to Newark Airport and to Port Newark. Certainly rail transportation to both of those fast-

growing terminal areas is not only in the public interest but also that of the Port Authority as well - and again, the Port Authority would not have to operate the trains or cars.

There is one final thought that I want to leave with you gentlemen. Certainly the last two blizzards, and the lesser snows since then - with more to come - have once again demonstrated that the railroad is the only safe, reliable, all-weather means of public transportation.

Also, please remember that the railroads paid for their own snow removal, but the taxpayers paid to have the highways cleared, and it will be a whopping amount before the winter is over.

We must get away from thinking of the railroads as individual corporations which need to be helped. The facts are, these railroads provide a needed public service which we must have, and it is far better to have it rendered by private enterprise, with such aid as is accorded to its competitors, than it would be to end up in government ownership and operation.

If the Port of New York Authority will now assume its proper responsibility, and constructively work for the maintenance and improvement of public transport by rail, as it has for busses and airplanes, the problem will be much easier to solve on a permanent basis.

It is up to you gentlemen to see that the Port of New York Authority fulfills its obligations regarding transportation by railroad, as outlined in the bi-state pact, and without attempting to dictate to you the terms under which it will do one of the things it was created for.

I wish to thank you for permitting me to present to you the

thinking of the taxpayer, the little fellow who always pays and pays and pays.

Thank you.

SENATOR FARLEY: Any questions?

BY SENATOR DUMONT:

Q You don't want the Port Authority, then, Mr. Taber, to operate any trains at all, just purchase facilities and provide them for railroad operation.

A I feel, Senator, that the Port has done such an outstanding job - and I mean it - in the activities that it has engaged in and the way that it has done them, that a continuation of the same policy toward railroad transportation would not only be in order, it would be in the public interest. I repeat, the extent to which the Port should participate, I do not know. That is for the experts in the field to determine.

SENATOR DUMONT: Thank you.

BY SENATOR FARLEY:

Q Mr. Taber, how many people do you represent?

A We represent in Morris County, I would imagine, - you mean commuters, sir, or do you mean --

Q Yes, that's right, commuters. A I would say we have at least 10,000 commuters in Morris County - about that figure.

Q Now you asked for a day with at least two weeks' notice. We are very happy to give you that day but let me ask you this - What can they add to the testimony already given to this Committee? Would it be relative to convenience? Would it be as to the rolling equipment? What phases would they cover that

have not been covered by you and other people who are here to testify on behalf of the commuter's problem?

A I was just thinking this, Senator, - I heard of this meeting yesterday afternoon. The other commuter representatives who are here today heard about it around the same time.

Q We are very glad to accommodate you, Mr. Taber. Don't get me wrong. I just wondered what phases they would cover.

A I was thinking this, sir, that if you feel, for instance, that I have covered the subject in so far as I can be of any service to you gentlemen, certainly there is no need of my taking up anymore of your time.

Q No, I don't mean that. We would like to ask about the schedules, how often the trains run, the number of passengers they carry, the accommodations generally, - the cleanliness of the cars, the age of the equipment, whether the railroads have been cooperative with your problem involving your particular area - anything that you think may be a problem or any acute situation. We are fact-finding. We are trying to ascertain facts. And we will be very happy to meet two weeks from now. I am curious as to what they would cover that has not been covered by you or will be covered this afternoon by other representatives of your group.

A Well, it was my understanding, sir, and you will notice my statement was very narrow in that it was directed to Port Authority participation, ---, it was not my understanding, sir, that you wished us to get into - probably I misunderstood someone - into the broad general field. Commissioner Palmer and Mr. Thomas are certainly on top of that. We work very closely with

him. We're working with the railroads. In fact, this evening we are having a meeting in Madison where all of the Morris County officials will meet the new Erie-Lackawanna officials.

Q Now, I appreciate that. Of course, what we would try to avoid, if possible, is repetition. However, out of that group may come some excellent recommendations as to how to resolve this. We will be very happy to sit if you feel that you need a day, we will be very happy to give it to you.

A Well, Senator, I think we might be able to help you a little and I am certain that the other groups, some of which could not be represented, - because, as you see, gentlemen, each group operates in a relatively narrow field. For example, I couldn't discuss intelligently Senator Stout's county's problems. I wouldn't be qualified to speak on the Pennsylvania. And so it goes. So, to give you the comprehensive picture, you need to hear from the people who are most familiar with situations in those particular areas.

SENATOR FARLEY: All right. On the request of Mr. Taber, I submit this letter to be marked in evidence, from Forrest K. Van Horn, 174 Prospect Street, Leonia, New Jersey, representing The Northern Valley Commuters Organization.

(Letter referred to received in evidence and marked Exhibit A-2. - See page 88-A)

SENATOR FARLEY: All right. Thank you very much, Mr. Taber. Pardon me, - Senator Ozzard.

SENATOR OZZARD: I did say before that I had no questions but I do have a question resulting from

questions asked by Senator Dumont.

SENATOR FARLEY: Go right ahead.

BY SENATOR OZZARD:

Q Mayor, from what you said in response to Senator Dumont's questions and what you said in your statement relative to your opinion as to the Port Authority not getting into the operational field of the railroads but providing facilities, may I conclude from that that you and your organization are opposed to the acquisition of the H&M and the operation of the H&M by the Port Authority? A I wouldn't exactly say that, Senator. I think we would be opposed to the acquisition of the H&M on the basis that if the Port Authority acquired the H&M it would then be forever excluded from any further participation in the suburban railroad passenger service problem of the area.

Q Mayor, let's leave the condition out. I recall the statement. It was at one of our Trenton hearings. Let's leave that out for the moment and place this solely on the basis of the acquisition and operation of the H&M by the Port Authority. And going back to my original question, do you and your organization oppose that, eliminating the condition of their being free of any other railroad activities, or would you consider that as a proper activity in your classification of acquisition of facilities to aid the rail transportation problem?

A I would say this, Senator, if there was a practical - first, we all agree that the operation of the Hudson & Manhattan is vitally important. That's number one. That comes first. We would prefer to see the Hudson & Manhattan operated on some

basis under the private enterprise system, if that is practical. However, if that does not prove practical, then I think it is in the public interest that the Hudson & Manhattan be operated in the best manner by any agency which is best qualified to do it. Does that answer your question, sir?

SENATOR OZZARD: Pretty much. Thank you.

BY SENATOR DUMONT:

Q With the Port Authority providing the facilities.

A Yes, sir.

Q But not actually operating the trains.

A Preferably not.

Q Do you disapprove then of these restrictions that were offered by the Port Authority, hedging or surrounding its proposed purchase or acquisition of the H&M? A Well, Senator, I would go back to the terms of the original bi-state pact on that because that was a statutory matter that was set up.

Q In other words, then, you don't think that they should be limited to this participation in the railroad field if they were to acquire the Hudson & Manhattan? A No, sir. I think that the H&M is one facet of the problem, and a very important one, but I don't feel that the acquisition of that should be on the terms of - if we do this we need never do anything more. Again, I want to make it clear, gentlemen, that we only advocate the Port doing what it properly might and we don't attempt to say what that is. That is up to perhaps a gentleman like Commissioner Palmer who is much better qualified than we are.

SENATOR FARLEY: Any further questions?

Thank you very much, Mr. Taber.

THE WITNESS: Thank you, sir.

SENATOR FARLEY: Now, Mr. Harrison, will you come forward and be sworn.

J O S E P H    H A R R I S O N, called as a witness, being duly sworn testified as follows:

BY SENATOR FARLEY:

Q     Your full name, please, Mr. Harrison?            A     Joseph Harrison.

Q     Address?    A     744 Broad Street.

Q     What city?    A     Newark, New Jersey.

Q     All right. A member of the Bar?                    A     Member of the Bar of the State.

Q     Representing whom?                                    A     I am Counsel for the Morris County Railroad Transportation Association which is an agency of the County of Morris.

SENATOR FARLEY: All right. You may proceed.

Before I proceed with the few comments that I would like to place before this honorable Committee, may I answer a question that you asked of Mr. Taber, with all deference, as to just what would be presented to the Committee at another hearing.

I think the problem with which your Committee is primarily concerned, to wit, the Port Authority's meeting its responsibilities under the statute as set up, must be engaged in the context of the transportation needs of the public in the area or the district.

And one bit of evidence or testimony that we would try to prepare for your Committee would be to have the County Planning

Manager or Director of Morris County present the situation of the people of Morris County with respect to their transportation needs to and from New York City. And that should be a factual presentation to show you just how that one county is affected or would be affected by any discontinuance of railroad service, and to establish its need for the service.

SENATOR FARLEY: We will be very glad to have it.

Now, over a number of years, going back to 1947 when I was a Deputy Attorney General assigned to the Public Utilities Commission, I had professional contact with the problems of the railroads in matters of rates and in matters of service. The railroads throughout the State, even then, were asking for discontinuances. And there were many hearings --

SENATOR FARLEY: Pardon me, when you say "discontinuation" are you talking about service or --

Discontinuances of service on trains. And we had to go into their problem in quite great detail and they presented a great deal of factual figures, the financial figures showing losses here and deficits, and so on.

Then after that, coming to represent the public interest of the people of the Northern part of the State, communities, commuter groups, and now particularly the people of Morris County, I have had an opportunity to study the problem and get a lot of data, a lot of reports, a lot of letters, a lot of communications and documents that the Port Authority has released from time to time, and also have had the opportunity of hearing the railroads' case.

Now the problem before you is not a simple one at all. It's a very complicated one. It has many facets and on the basis of this experience I can make this statement to you that there is much to be said on behalf of the Port Authority and the position that it takes, and there is much to be said on behalf of the railroads. And, unfortunately, the whole story does not appear at any one time and it hasn't appeared at any one time, so far as I have been able to learn, in any hearing or in any investigation. There has not been a real confrontation of the Port Authority personnel with the railroad personnel, that is the top personnel, to have each really reply to the charges that each has made against the other over the years.

And all that I want to do this afternoon, reserving if I may the rights for any factual presentations at any future date that this Committee may set, is to point out to the Committee certain areas of inquiry which I think, if you could get the answers to the inquiries that should be posed to both sides, - I think that you can come up with a solution or at least it might be helpful in your approach to the problem.

Now, there is no question that the railroads through their presidents in records before the Public Utilities Commission and before other bodies, before, I dare say, Committees of the Legislature, have indicated to you that which is very obvious, really, that the Port Authority facilities, and particularly the bus terminals and the freight terminals and, in a measure, the airports and, of course, the tunnels and the bridges, have very, very definitely been related in direct

proportion to the decline in the traffic and the revenue that the railroads have received.

There is no question. That's a factual situation and any number of exhibits have been shown since 1930. The tunnel and bridge traffic has increased and the railroad traffic and revenues have decreased.

Now, that's one side of the story. That's a fact.

Now, on the other hand, the Port Authority has come up with what I submit is a very reasonable position, a position which I imply from a point of view that they have presented time and time again. And to illustrate that, I would like to refer the Committee to the report submitted by Austin J. Tobin, Executive Director, to the Governors of New York, New Jersey and Connecticut, and the Mayor of the City of New York, on February 10, 1959.

Now, in that report they make this significant statement which I have reason to believe may go to the crux of their position in heretofore having refused to have any part of the commuter railroad problem. Now I am quoting from page 4 of that letter. I have the original letter here. I will be glad to make these available to the Committee. But may I just read this part of the report to the Governors - it's a portion entitled "Railroads should achieve economies and efficiencies in freight operation." "Before any public financial relief is provided for the commuter railroads, it would seem reasonable to require that all possible means should be taken by the railroads themselves to achieve maximum economies and efficiency in their freight operations in and around the Port of New York.

For example, serious consideration should be given to the feasibility of joint usage of terminal and other freight facilities, a consolidation of tracks and other services, the adoption of reciprocal switching operations and the establishment of rates and services which will attract more rail traffic and business activity in the Port of New York.

"Throughout the thirty-eight years of its existence, the Port Authority has made studies of the possibilities of such joint or consolidated rail freight services in the Port District and made continuing efforts to persuade the railroads to adopt such measures.

"On numerous occasions the Port Authority has reviewed its studies with the railroads and has sought, without success, to have the railroads utilize or adopt some of these operating efficiencies and economies. It would seem reasonable for the States of New York and New Jersey to insist on an earnest re-examination of these possibilities -- actually recommended thirty-seven years ago by the two States in the 'Comprehensive Plan For the Development of the Port of New York' -- as a condition to the subsidization of commuter rail travel."

Now that appears in the report that I have just described to you.

And another document that I would like to refer to is a letter dated October 7, 1953, addressed to Mr. David I. Mackie, Chairman, Eastern Railroad Presidents' Conference, 143 Liberty Street, New York 6, New York, from Mr. Howard S. Cullman, Chairman of the Port of New York Authority.

SENATOR FARLEY: The date of the letter, please,  
Mr. Harrison?

October 7, 1953. Now, that letter reviews the various plans that were prepared by the staff of the Port Authority in cooperation with the engineering staffs of the railroads and after which at the staff level there had been agreement, the railroads themselves just refused to go through with it for one reason or another.

Now that letter of October 7, 1953, was in reply to a letter dated September 28, 1953, which the staff or the Committee can get - I am sure the Public Utilities Commission would be willing to make copies of it. I reviewed the file this morning preparatory to appearing before you. That letter is Exhibit P-6 in Docket No. 11260 in the files of the New Jersey Board of Public Utility Commissioners.

Now in that letter Mr. Mackie sets forth the complaints of railroads against the Port Authority, indicating that the Port Authority had done so much for the competitors of the railroads and not much for the railroad industry.

So you have the two sides, presented in different documents but not particularly spotlighted in any of the recent hearings.

It seems to me that the position taken by the Port Authority - before you give money to an enterprise such as the railroads, the public has a right to expect that they are being efficiently and economically operated. They take the position that there have been many studies made which could demonstrate the savings of a lot of money, millions of dollars.

Now, you are going to have before you representatives from

the Port Authority. You've already had the representative of one railroad here. And I would hope, if the representatives of the other railroads don't appear, that this Committee might in its wisdom see fit to invite them to appear to answer the - not charges, but the statements made, to answer the history of the relationship between the Port Authority and the railroads and to ascertain whether or not it is true, or it isn't true, that the Port Authority has during the past 37 years made many efforts to help the railroads, to help them effect economies to save money. And I sense, I may be wrong, Mr. Tobin or the Commissioners of the Authority may tell you otherwise, that if these economies could be achieved, if the original intent of both statutes that set up the Port Authority were really lived up to by all parties concerned, meaning the railroads as well as the Port Authority; and if the Port Authority could perhaps take over some of the freight terminals and the operations, they'll tell you just what could be done, I think, if you ask them. And then we had the railroad presidents say whether or not these things were feasible and why they haven't cooperated - if this Committee can by the confrontations that I have suggested get the real picture of the relationship between the Port Authority and the railroads - A. in the past, and B. in the present - because as Commissioner Palmer has indicated to you today there has been a great change in circumstances between the past and the present, the railroads are in a different situation now and it may be, as Commissioner Palmer indicated, that some such studies and some such agreements have been arrived at, that they will study this.

Now, before the Port Authority is asked to do much more in this problem, except to meet what is absolutely pressing on a temporary basis, it would seem to me that this Committee, that the Legislature of the State and the people of the State, are entitled to have some real assurances that the railroads will be operated on an efficient and economical basis. And we make that request - that is, the representatives of the people make that request on the basis of representations made by a very, very able organization, the Port of New York Authority.

I think that when we get a thorough airing of both sides then the Committee certainly and the public will have an idea as to just where the merits lie, shall we say, as between the claims of these two people. But meanwhile I can see that we have to have Commissioner Plamer's plan of giving five or six million dollars a year or so, but that is absolutely a stop-gap thing, I don't think this Committee or the Legislature or the people want that to be a permanent proposition. And I am sure that the Committee is interested in the long-range program. And it is with a view to directing your attention to some of these things that are matters of record, that have come to my knowledge, and I present them to you with the suggestion only that you air these thoroughly in your future hearings.

BY SENATOR FARLEY:

Q Mr. Harrison, do you have any suggested economies that you can talk about, any knowledge where you can advise this Committee where there has been a waste, or where there has been no cooperation with the railroads as to recommendation of the Port or any other committees in existence in your experience,

in this direction?

A Well, Senator, may I present to you at this time the basis of these statements that I've made in that respect, and I have been quoting the Port Authority, - a letter of October 7, 1953 - I think I have enough copies for all members of your Committee. That goes into the detail. I am primarily an Attorney and not an engineering expert. I do go on the basis of the record.

In addition, may I respectfully suggest that in the light of the letter to Governor Rockefeller, Governor Meyner, Governor Ribicoff and Mayor Wagner, - and I give you copies of this letter and refer you to page 4. May these letters be made part of your record.

Q They will all be made a part of the record, Mr. Harrison.

A And then when you have the representatives of the Port Authority before you, and with page 4 before you, you may then get, from much more authoritative sources than I, specifications and a bill of particulars as to just what they meant when they made those representations to the Governors of the three states and the Mayor of New York.

SENATOR FARLEY: They will be interrogated in that direction.

Any questions? (No questions)

Thank you very much, Mr. Harrison.

MR. HARRISON: Thank you, sir.

(Letter dated October 7, 1953, to Mr. David I. Mackie received in evidence and marked Exhibit A-3.-See p.89-A)

(Letter dated February 10, 1959, to Governors Rockefeller, Meyner, Ribicoff and Mayor Wagner, received in evidence and marked Exhibit A-4.-See p.96-A)

SENATOR FARLEY: Before leaving, Mr. Harrison, may I make a supplemental suggestion - any additional facts, any specifics or any information whatsoever that you think may help this Committee, we will be very happy to have same at your convenience.

MR. HARRISON: I will make a list of some of the things I think should be made a part of the record, Senator, and I will be glad to do it.

SENATOR FARLEY: Thank you very much.

Mr. Frank Tilley, please.

F R A N K E. T I L L E Y, called as a witness, being duly sworn, testified as follows:

BY SENATOR FARLEY:

Q Mr. Tilley, what is your full name? A Frank E. Tilley.

Q Where do you reside? A Wyckoff, New Jersey.

Q And whom do you represent? A I am Chairman of the Transit Committee of Bergen County, Chairman of the Susquehanna Transit Commuters Association, and Chairman of the Wyckoff Transportation Committee, and I am authorized to speak for all three.

Q How many people do those various associations represent? total. A Well, the Transit Committee would be inclusive of the members of the other two and we reckon on 120,000 commuters in Bergen County.

Q 120,000 in Bergen County alone? A That's right, sir.

SENATOR FARLEY: All right. You may proceed.

MR. TILLEY: In view of the lateness of the hour, Senator, and an appointment which I myself have at four o'clock, I want to say, first, that I do appreciate the opportunity to appear before you today. I subscribe, on behalf of the three associations that I represent to the remarks of particularly Mayor Taber.

I would say that it is our feeling that the Port of New York Authority, which is a servant of the people of the State, should not place itself in the position of telling the State Legislature how far it will go nor under what conditions it will carry out the obligations assigned to it under the bi-state compact.

We are particularly concerned about the proposed participation by the Port Authority in the operation of the Hudson & Manhattan Railroad.

SENATOR FARLEY: You say that you are opposed?

MR. TILLEY: We are concerned about it. We are not opposed to their operation of it but we are opposed to any attempt to limit the Port Authority's participation in the broad problem simply to the operation or participation in the operation of the Hudson & Manhattan.

It must be remembered that the Hudson & Manhattan Railroad is primarily a road which is fed - that is, the passengers are fed to it by the other railroads which terminate on the Jersey side of the Hudson River.

If through a further deterioration of railroad passenger service in North Jersey, the passenger trains of these feeder railroads provide fewer and fewer customers for the H&M, then

in effect, what the Port Authority proposes to do in helping the H&M is nothing more than a divergent way of avoiding any real participation in the railroad passenger problem, because if there are no passengers for the H&M soon there won't be enough of H&M to matter what the Port Authority does in this area.

We are concerned about the seemingly blind way in which the Port Authority has approached the solution, even via highway, to this matter of mass transportation. And I refer now specifically to the Uptown Bus Terminal to be constructed in the neighborhood of 175th Street and the New York end of the George Washington Bridge.

At present the bus lines which will terminate in that terminal carry their passengers to 168th Street and Broadway, at which point there are two New York Subway systems and both local and express trains. The express trains go northward only as far as 168th Street. Beyond that point there is local service only. And in the area of the proposed bus terminal there is only one subway line. This means that when the new bus terminal is in operation you will have one grand and glorious bottleneck with thousands of bus passengers pouring off bus lines at that point and on to the facilities of one subway line, and a local operation at that.

On April 2, 1960, our Transit Committee of Bergen County asked the Port Authority how it proposed to remedy this condition or what its thinking was with reference to eliminating any likely bottlenecks. To this date we have not even had the courtesy of a reply from the Port Authority, which

suggests to us that they have no idea what's going to happen to the crowds of people that will be emptied at this point. In other words, they want to get people across their facilities, their transits and crossings, but they are not too concerned what happens to these people once they are deposited in New York.

We feel that this attitude on the part of the Port Authority is one which is certainly not in the public interest and bears much looking into by your Committee and other members of the State Legislature.

In digesting my remarks at this point, Senator, I would say simply, to conclude, that we are very concerned about the maintenance of rail passenger transportation, particularly in the Bergen County area which I represent, an area where perhaps more than elsewhere in this State, to date, there have been cutbacks in rail passenger service and we would support you gentlemen in anything you can do to see that no further cutbacks in passenger service are permitted and that the present service is maintained, strengthened and improved by whatever means possible, and this would certainly include an active participation by the Port Authority.

Thank you.

BY SENATOR FARLEY:

Q Do you have any further recommendations, Mr. Tilley?

A Not at the moment.

Q Any further criticisms as to railroad service, bus service, or the Port Authority?

A I could speak specifically about criticism of the passenger operations by the New York, Susquehanna and Western Railroad Company.

Q Let's hear it. A It would take quite a bit of time and would be in direct conflict with one point made by Commissioner Palmer this morning, when he was asked by one of the members of your Committee if it had come to his attention that any railroad was deliberately trying to get out of the passenger business.

We are persuaded, from all that has taken place in the operation of that railroad, since the change in management five years ago, that this is their avowed intention. And in five years time they have managed to cut off their service and their patronage by 90% in one of the fastest growing areas of the State and in which, incidentally, this railroad has, believe it or not, in this day and age, a virtual monopoly on public transportation.

Q What is the name of the railroad, please?

A The New York, Susquehanna and Western. I might say that in the area in which I live, which is served by this railroad, there is no alternate public transportation of any kind, and I speak of busses, between Wyckoff, Franklin Lakes, Oakland, in Bergen County, and the City of New York.

Q Where does this line run? from the point in New York to where in New Jersey? Morris County?

A From Butler in Morris County to a point in the Hackensack meadows referred to by the railroad as Susquehanna Transfer. At this point its passengers are discharged to a chartered bus which carries the passengers from this transfer station through the Lincoln Tunnel to the Port of New York Authority Bus Terminal.

Q Now when you say that they have attempted to, may I say, almost sabotage their line, in your words, what was that, by cutting the number of trains per day?

A The number of trains per day has been cut from 32 in each direction in 1958, well up until January, 1958, to a point where today there are 3 trains in each direction.

Q What did they have in 1957 in comparison to the number of trains they have now?

A In 1957 it was cut to 16 in each direction on weekdays, 7 on Saturdays, and 4 on Sundays and holidays. Today the service is 3 in each direction Mondays through Fridays only.

Q How about their rolling stock? Have they attempted to maintain it, improve it, or would you say deteriorate it, if possible?

A The rolling stock, such as it is, is surprisingly enough among the most modern passenger coaches in operation on any railroad in the State. But this is because the former management of the railroad had been engaged in a program of upgrading the service, rehabilitating the line, and attracting passengers. The new management came in and sold practically all of the new passenger equipment. Today there are less than half a dozen passenger coaches in use on the railroad, and these, incidentally, have already been sold to a railroad in Saudi Arabia. The cars will be air-conditioned at taxpayer expense before being shipped to Saudi Arabia and they propose to lease old coaches from the Erie Railroad to provide the service that's now being rendered.

Q Do you know that fact to be true or is it merely rumor, hearsay or what?

A It is a fact, sir. In fact, the sale of the cars was reported in one of the September issues of Railway Age Magazine.

BY SENATOR DUMONT:

Q What do you mean, the cars will be air-conditioned at taxpayers expense? because of the so-called subsidy the State is paying by contract?

A No, the federal government, Senator.

Q The State has no contract with Susquehanna, does it?

A No, it does not.

BY SENATOR FARLEY:

Q Do you know anything of their financial condition, Mr. Tilley?

A It is not good.

Q Have you made it a point of inquiry as to their status as of this day, I mean to determine whether or not they were justified in selling their rolling stock, and justified in reducing their number of trains or personnel? Do you have any of those facts?

A Well, justification, of course, depends on a point of view.

Q I appreciate that.

A From our point of view

it's a lot of --

Q I mean, you are not acquainted sufficiently with the detail involving their financial structure to give this Committee that information today. Is that correct?

A Not in detail. I can say, however, that their financial condition, while precarious, is largely the result of the loss of freight business rather than passenger business.

Q Would you say that there was any material reduction in passenger business from 1956 to date? A Yes, sir. Well, from 1958 to date there has been a drop of 90%.

Q Why? A Because of the reduction in service, the discontinuance of direct service into Jersey City where there was a connection with the Hudson Tubes, an increase in fares of 81% in 10 months, and general deterioration of the service.

Q Would you say that this is of their own design rather than meeting the convenience of the traveling public? It's their own design, would you say? A It appears that way to me, yes, sir.

BY SENATOR OZZARD:

Q I understood you to say in the beginning that you subscribe to the position taken by Mayor Taber. Is that correct that your organization does? A Yes, sir.

Q To make that a matter of record, your organization opposes the Port Authority operating any moving equipment, including the H&M? A If I understood Mayor Taber's statement correctly --

Q Well, let's eliminate his statement. Let's make it your statement. A All right.

Q Your organizations, I mean. A With regard to the H&M, we would prefer to see that railroad, as well as any railroad, operated on the private enterprise system. If, however, in order to keep the service running it were necessary that the Port Authority step in and take over, why that would be preferable to having the service terminated

entirely.

Q Beyond the H&M, does your organization oppose the Port Authority entering in the field of actual operation of moving equipment? A Only as a last resort.

Q What would be a last resort? A If the railroads were brought to the financial plight where they had to completely terminate passenger service and were permitted to do so by the ICC.

Q Up to this point of the hearing and matters that we investigated before, there is no indication that the operation of terminal facilities by the Port Authority would eliminate railroad losses completely. The railroads, looking upon them as private enterprise operations, could not continue to operate at a loss. Does your organization advocate that the State, to the extent necessary to keep the railroads operating on at least a break-even basis use tax moneys, general tax moneys, revenues, for the support of railroad activities in the State of New Jersey? A I may answer this way,

Senator, the railroads are in effect a public utility and in our view it is so necessary that they continue to operate that if what you have just proposed were necessary, we would favor it.

Q The use of tax moneys -- A Yes, sir.

Q -- to support the railroads? Subsidies?

A Yes, sir. They are a public utility even though privately owned and operated.

SENATOR OZZARD: Thank you very much.

BY SENATOR DUMONT:

Q You mentioned about the patronage being cut 90% but so have the trains been cut 90% since 1958, haven't they?

A Yes, sir. In this case there is no question as to whether the chicken or the egg came first, it was the trains that were cut first, as indicated by the fact that this railroad does have a monopoly in a large section of this territory.

Q What do you think about these restrictions that the Port Authority used to surround the proposal of acquiring the Hudson & Manhattan Tubes? A I think they are completely out of order for a servant of the people to be telling the State Legislature the conditions under which they will fulfill the functions prescribed for them in a bi-state compact.

Q Well, further than that, you believe that they should not be limited to just this participation if they are going to participate. A Absolutely not.

SENATOR FARLEY: Any further questions, Senator.

SENATOR DUMONT: No, thanks.

SENATOR FARLEY: Thank you very much, Mr. Tilley. If you have any recommendations or suggestions, any statistical data involving any pertinent matters to this investigation, we will be glad to have it.

MR. TILLEY: Thank you.

SENATOR FARLEY: Augustus Dreier.

AUGUSTUS S. DREIER, called as a witness, being duly sworn, testified as follows:

BY SENATOR FARLEY:

Q Your full name, Mr. Dreier. A Augustus S. Dreier.

Q Are you a member of the Bar, Mr. Dreier?

A I am.

Q What is your residence and your office?

A My residence is 365 Crosson Place, North Plainfield, Somerset County. My office is at 443 West Front Street, Plainfield, Union County.

Q New Jersey? A New Jersey.

Q All right. Now whom do you represent, Mr. Dreier?

A Well that appears in the statement.

Q Well for the purpose of the record. A For the purpose of the record, I represent the Inter-Municipal Group for Better Rail Service.

SENATOR FARLEY: All right. You may proceed.

MR. DRIER: Might I ask, in my prepared statement, that the second paragraph be stricken. It has reference to the Transit Committee of Bergen County. I was asked to do this yesterday not knowing whether Mr. Tilley would be here. Inasmuch as the Chairman of that Group is here, I naturally would not be required to speak on their behalf.

SENATOR FARLEY: Paragraph 2 of page 1?

MR. DRIER: That's correct, Senator.

(Reading) I appear at this hearing on behalf of the Inter-Municipal Group for Better Rail Service which is the official representative on rail service for eighteen municipalities in Union, Somerset and Middlesex Counties as follows:

Elizabeth, Roselle Park, Roselle, Cranford, Garwood, Westfield, Fanwood, Scotch Plains, Watchung, North Plainfield, Plainfield, Dunellen, Green Brook, Middlesex, Bound Brook, Somerville, Raritan, and Branchburg. The Group was formed on December 21, 1945 for the purpose of assisting in the finding of the solution to the problem of mass transportation at reasonable rates in the New York Metropolitan area. Early in 1946 the Group concluded that one of the keys to the long range solution of the problem was the consolidation of the wasteful and expensive duplicating terminal facilities of the competing railroads.

It is at this time unnecessary to go into detail regarding the seriousness of the rapidly deteriorating rail transit in the Metropolitan area. Your Committee, as well as the public generally, are aware of this fact.

After many years of study our Group has arrived at the conclusion that there is a simple, low cost and expeditious solution to the rail transit problem, which is not to be found in more time consuming and costly studies but by directing the Port Authority to solve the rail transit problem in accordance with the existing statutes, Chapter 244, Laws of New Jersey 1930: "The Port Authority shall constitute a body corporate and politic, with full power and authority to purchase, construct, lease, and/or operate any terminal or transportation facility within said district and to make charges for the use thereof; and for any such purposes to own, hold, lease, and/or operate real or personal property, to borrow money and secure the same by bonds or by mortgages upon any property held or to

be held by it. \*\*\*Transportation facility shall include railroads, \*\*ferries,\*\* for the transportation or carriage of persons or property."

To divert at this point, I have with me two copies of a map showing what was supposed to have been done by the Port Authority - their 1922 map. I would like to leave these two copies with your Committee.

SENATOR FARLEY: Mark one, please.

(Map referred to received in evidence and marked Exhibit A-5.)

That the Port Authority should assume this task is supported by the following:

1. New York-New Jersey Port and Harbor Development Commission (now Port of New York Authority) Report of 1920: "Our port problem is primarily a railroad problem,\*\*therefore, the comprehensive plan to evolve for which this Commission was created is essentially a railroad plan. \*\*The most pressing element of the entire port problem is that of railroad service to and from Manhattan."
2. Chapter JR6, Laws of New Jersey, 1936: "\*\*\*The increasing concentration of industry and population within the portion of the Port of New York District lying within the territorial limits of the State of New Jersey has created and to an increasing degree will continue to create a demand for more adequate inter-state and suburban transportation facilities for passengers travelling within said district between the two States and between different communities within said district; \*\*The Port of New York Authority is a governmental instrumentality of the States of New Jersey and New York created for the purpose, among other things, of coordinating and developing transportation facilities within the Port of New York District;\*\*"
3. New York Regional Plan Association, Commuter Survey Report of July 1951; Solution of the rail problem is the "responsibility of the Port Authority and is its duty under existing statutes."
4. Alexander H. Elder, retired General Counsel, Central Railroad of New Jersey and former member of the MRTCA: In his 1952 report to the N. J. Department of Conservation and Economic Development, said that the primary purpose in the creation of the Port Authority was to solve the rail transportation problem in the New York metropolitan area. He said that New Jersey was induced to enter the Compact to realize the benefits of the Comprehensive Plan - the unification of railroad terminal facilities, which the Port Authority abandoned, shifting instead to vehicular tunnels, bridges, airports, etc., which instead of promoting the original plan have had the opposite effect. Mr. Elder recommended that New Jersey insist that the Port Authority return to the real purpose and intent of the Compact.

5. 17 N.J. Super., 328,85 A.2d 815: "The Port of New York Authority is a bi-state agency of the States of New York and New Jersey, created in 1921 by compact, approved by Congress on August 23, 1921, and in the interests of the public performs governmental functions projecting beyond state lines." (N.J.S.A. 32:1-4)

An adequate and efficient rail transit system - part of an integrated transportation system - is indispensable for the metropolitan area of New York. The issue remaining is whether the Port Authority will be directed to do the job in accordance with existing law.

An integrated transportation system requires rail rapid transit as an integral part, as well as economic integration of the several parts. Pricing must be complementary, not competitive. Only a single authority - the Port Authority - can do this.

Rail transit is but an alternate to tunnels and bridges where profitable facilities subsidize the unprofitable facilities. All Port Authority facilities, with the exception of the Holland Tunnel, have been or still are deficit operations and operate on a pooled revenues basis. Therefore, it is more reasonable to charge a toll to the user of an auto tunnel to make up, in part, the loss on the rail operations - which he prefers not to use - than to charge him a toll to help cover the deficit on an airport which offers no alternative to his travel from home to work, say via the Holland Tunnel.

The Port Authority net revenues for the year 1959 were \$54,629,715. Annual net revenues have been increasing with no adverse effects from the recessions of 1948-49, 1953-54 and 1957-58. Port Authority net earnings are many times as large as the projected transit deficit. What will the Port Authority do with its tremendous income after its debt is paid off? Will it return part of the income to the public or go into new business ventures - more hotels, or possibly manufacturing?

The Group, as well as the Joint Committee of Municipal Rail Transportation Groups of Northern New Jersey, has on numerous occasions urged that the Port of New York Authority be directed to solve the rail problem by:

1. Taking immediate steps to continue all existing rail and ferry services, the cost of which shall be paid out of Port Authority income.
2. Immediately after having provided for the continuance of all existing rail and ferry services, to develop, construct and operate a modern rapid transit terminal on the same basis as it operates truck, bus, water and air terminals.

The Group, The Transit Committee of Bergen County, as well as the Joint Committee of Municipal Rail Transportation Groups of Northern New Jersey, has urged that the Port Authority be directed to abstain from undertaking any additional building or construction projects not then under physical construction until the steps above set forth were completed. The Port Authority to date has obstinately refused to assume its rightful and legal obligation in this matter.

In conclusion, I call to your attention the words of the Executive Director of the Port Authority on March 26, 1953 at Rutgers University, "\*\*\*the authority like any other governmental form in a democracy, is the servant of the people and it must conform to the overall public policies of the State which creates it."

I also particularly call to your attention the following statement from the New York Times editorial of March 28, 1960: "Those who from time to time complain that the Port Authority has too much power' should remember that its growth has been voted every step of the way by elected representatives of the people. The States, their Legislators, their Governors have made the Port Authority what it is today\*\*\*."

Attached to this statement, I submit to you for the record and your consideration the following:

1. Letter of December 12, 1960 from the Chairman of the Joint Committee to the Legislators of the State of New Jersey.
2. Remarks of the Chairman of the Inter-Municipal Group before the Pilot Club of the Plainfields on September 20, 1960.
3. Recommendations made by Counsel of the Joint Committee before a meeting called by Commissioner D. R. G. Palmer on March 7, 1960.
4. Resume of Newark Evening News "Port Authority Profile."
5. Joint Committee resolution of March 1, 1960 submitted to the Governor and Legislators.
6. Statement by Counsel of the Joint Committee at a Senate Committee hearing on August 21, 1959.
7. Statement by Counsel of the Joint Committee at a conference with Governor Meyner on May 26, 1959.
8. Statement by the Chairman of the Inter-Municipal Group at a joint meeting held by Governors Rockefeller, Meyner and Rebicoff on Feb. 10, 1959.

Now, in addition to my prepared statement, in view of some of the questions that have heretofore been asked, and the statement by Commissioner Palmer, our group does not agree at all with the suggestion of the Port Authority that if they take over the H&M they should be relieved of other railroad obligations, other obligations in connection with solving the rail problem, the problem for which they were initially created.

And further, I would like to say that it is not the feeling of our group, nor has it ever been, - and our feeling has been misconstrued on this point - it is not our feeling that we want the PA to operate the railroads. We merely want them to supply terminal facilities which would include a means of crossing the Hudson River, whether it be over the river or under the river. The facilities, presumably to be terminal facilities, to be built on this side of the Hudson and on the other side so that there be union stations to which all railroads could channel their passenger trains. Many of the roads would in that way be able to combine facilities, run over the same tracks, and avoid much duplication of service.

It is our opinion, and while I don't have the figures it is based on innumerable hearings which I have attended before the Board of Public Utility Commissioners and before the Interstate Commerce Commission at which the railroads in their application for increased fares set forth in detail the tremendous cost of operating terminal facilities which would include the taxes on the terminal facilities, the operation of these duplicated terminal facilities and the

cost of traveling over the Hudson River. --

And with reference to the H&M, our group would rather have private industry operate the H&M, the Port Authority taking over ownership and leasing back to private operation. And that would go for other terminal facilities. However, rather than have the H&M discontinue its operation, and we all know it is in bankruptcy now, if the only salvation were that the PA take over and operate it as a last resort, then we have no objection to that even though we prefer private enterprise.

SENATOR FARLEY: Any questions?

BY SENATOR OZZARD:

Q Mr. Dreier, on page 3 of your statement, I am not entirely clear as to the meaning of item 1, which states: "Taking immediate steps" - referring to the Port Authority -

A Yes.

Q - "to continue all existing rail and ferry services," vs. your statement that your group is opposed to the operation of any moving facilities by the Port Authority.

A I can see your point very well, Senator, and it is not clearly stated. That refers to the terminal facilities - taking over the ferries, taking over the terminal facilities and then leasing them to the railroads for its operation. Not actually running the ferry boats and hiring the crews; not running the terminals and hiring the sweepers or hiring - maybe the sweepers are part of maintenance - but running the railroads in and out of them.

Q Do I understand clearly, for the record, then that your group joins with Mayor Taber and the gentleman who

preceded you, in opposing the operation of any moving facilities, trains, etc., by the Port Authority?

A That is our present position, yes, but I must qualify it by saying that if we are faced - if the State of New Jersey is faced with the situation - and I do not anticipate this situation - if the terminal facilities are taken over by an agency, preferably the Port Authority, but if we are faced with a situation of having no train service or it being operated by a public agency, then it would be cheaper to the State of New Jersey and it would be possibly the only solution that a public agency operate the trains - that is only as a last resort. And I would like to add that at a hearing before the Interstate Commerce Commission back about 1948, 1949, when the Central Railroad was coming out of bankruptcy, in the plan of reorganization the then Chief Engineer of the State Highway Department testified on our behalf that if the Central Railroad discontinued its passenger operations it would be necessary for the State of New Jersey to build three Pulaski Skyways going into Jersey City or Hudson County to carry the traffic load. That, of course, would also indicate that the Port Authority would probably have to build two or three more tunnels to carry that load. Where they would go when they got to New York, I don't know, if they ever got to New York. But the cost would be much more than if a public agency took it over, if that eventuality ever had to come into being.

Q Well, Mr. Dreier, I make a point of these questions because of the group you represent and their location and the fact that we are both from the same county, as is your chairman, and the fact that in at least two political campaigns in which I was engaged your Chairman, Mr. Kraus, debated this question with me and I thought I understood him to take the position, as Chairman of your group, that the Port Authority should take over the operation of the railroads.

A No, that is not so, Senator. He did not make himself clear to you then. It has never been our position, never.

Q Then at the present and for the past, Mr. Kraus' position as Chairman speaking for your group does not advocate the operation of the railroads or any part thereof by the Port Authority.

A That's correct. Only the terminal facilities, which includes the ferries, the ownership of them.

Q Now a question which I asked previously - since there is no indication that the operation of terminal facilities would eliminate the losses of the railroads, still leaving deficits and presuming the railroads refuse to operate with continuing deficits, does your group support the principle of tax subsidies by the State of New Jersey to keep the railroads in operation?

A I'll answer that directly but before I do I would want to preface it. I feel, and I am in no position to give definitive answers, - but I feel that if the railroads were asked, they could supply the amounts of savings and I believe that if they were relieved of terminal facilities and everything that goes with

it, and the ferries, it would almost eliminate the passenger loss.

Now to answer your question directly, if that was the only way of saving railroad service in the State of New Jersey, yes.

Q Then, finally, Mr. Dreier, the plan - the map that was submitted to this Committee which indicates, at least by this article, through the release of two Assemblymen, that the Port Authority as part of its original plan was to operate a mass transit facility within the district lines, as I see it here. - the submission of this by you for your group, I presume then was not intended to support any such plan since this calls for the operation of this by the Port Authority which would be contrary to your own position or the group's position of their operating anything on wheels in the rail field. Is that correct?

A Yes, that is correct. But may I say, that wasn't the purpose -- that's correct, it was not the purpose of introducing that to ask that they operate such a system. The purpose of introducing that map, which incidentally I must give credit to the Morris County group for having dug it up, was to show what the Port Authority was supposed to do, by its own plan there, as I understand it, when it was created back in 1922. And it contradicts, I believe, the statements that we have heard over the recent past 15 years of the Port Authority throwing its hands up to all assistance in railroad transportation matters. It is merely for that purpose, to show that they knew when they were created, or shortly after, that that was their job. It is not only set forth very clearly in the

compact but they printed that.

Q This I understand then is good reason and good purpose for submitting it.

A Yes.

Q But a question that must follow that is this: If the Port Authority decided to get into this field, felt that this original plan or something similar to it was a practical approach to their participation, and would be interested, would commit themselves to the construction, installation and operation of such a plan, - whether it be monorail or whatever it might be - would your group oppose such an activity by the Port Authority?

A Until we had something definite, Senator, I don't think I could comment on that because we would have to know how it affects railroad service generally, what the cost would be, how it would be operated, - there are too many ifs in such a hypothetical question that I don't feel I could be fair to the group in answering it.

Q Then in summary, your group's position is, one, that this only shows that they should have an interest and do have an interest in railroad transportation problems, commuter problems; and, two, that they should stay out of the railroad business except for terminal facilities.

A As we

see it at the present time, yes.

SENATOR OZZARD: Thank you very much.

BY SENATOR FARLEY:

Q Mr. Dreier, in your paragraph 4, - "Alexander H. Elder, retired General Counsel, Central Railroad of New Jersey and former member of the MRTC," - you say that they abandoned the original purport and intention of the creation

of this Authority in a Comprehensive Plan. What was the year of that, do you know, the Comprehensive Plan? A When they were created --

Q 1921? A 1921, yes.

Q But you say in here, quoting him, he "said that the primary purpose in the creation of the Port Authority was to solve the rail transportation problem in the New York metropolitan area. He said that New Jersey was induced to enter the Compact to realize the benefits of the Comprehensive Plan - the unification of railroad terminal facilities, which the Port Authority abandoned, shifting instead to vehicular tunnels, bridges, airports, etc." When was this Comprehensive Plan negotiated between the two states relative to permitting the Port Authority to abandon its original intention?

A Oh, there was none. They just did it.

Q They did it? A Certainly. When the Port Authority was created in 1921, I don't think any member of either State's Legislature contemplated them building a hotel; contemplated them operating grain elevators; and in 1921 there was no concept, I don't believe, of airports such as Idlewild, LaGuardia and Newark Airport on the scale that they are, if they were at all. There are so many of these things that they are engaged in now - the factory that they built up on Teterboro.

Q When did they abandon the original intention of the compact between New York and New Jersey created in 1921? When did they abandon that? in the twenties, thirties, forties?

A I would say practically at their inception they didn't

carry out --

Q At their inception? A Practically.

Q Do you know whether or not they were importuned, by various agencies that were not operating at a profit, to absorb them so that they could function probably on a more sound financial basis? A I don't know, sir.

Q You don't know that? A No.

Q I mean, we don't know, we're trying to find out?

A I realize that. I don't know and I don't want to give a guess to you.

Q You are fully convinced that they should not be in competition with the railroads so far as the actual conduct of the railroads themselves is concerned. A That's correct. Yes, sir.

Q You feel that they should build terminals for the purpose of -- does that include trackage? A Just within the terminal facility.

Q On a lease basis wherein they retain title?

A Yes, sir. That is correct, sir.

Q And I see these various schedules appended to your statement, relating to the various facets of investigations and meetings - you are conversant with all of those, are you?

A More or less, yes, over the past years.

Q Such as the "Profile" of the Newark News?

A Yes, sir.

Q Are you personally familiar with the contents of any of these listed, outside of your appearance at this particular meeting with Commissioner Palmer? Have you personal

knowledge of these facts? A Oh, yes. On most of these. I have been a part of it right along.

Q Do you feel that \$70 million is an exorbitant reserve to carry?

A I think it's an excessive reserve and it is over and above what is legally required, particularly in view of the urgency of this situation where part of that reserve could be used to effectuate the immediate steps that are necessary.

Q And you say that, being conversant as a lawyer, if perchance they have a bond issue relative to building such an addition as they contemplate building on their 40th Street Station, you think that would be, may I say, an important factor, that the bond houses may give them a lower rate of interest if their reserve was only \$20 or \$30 million.

A Oh, no.

Q I mean, you feel that would be an essential factor to be considered by a loaning agency such as bond houses or banks?

A It would certainly be a factor taken into consideration. But if they went in to help solve this rail situation, there wouldn't be the need of spending so much money, there wouldn't have had to be a third tube in the tunnel and there wouldn't have to be these other bus expansion facilities.

Q Do you feel that any of this \$70 million should be directed to the purpose of alleviating the commuter problem in New York and New Jersey? I'm asking your opinion.

A Yes, I know. If that is the amount that is necessary and if the Port Authority can make that available, the answer is

definitely, yes, or to such extent to which they can possibly go. When we go into these figures and bring up the bond issue, of course, we've heard for so many years from the Port Authority that it's illegal, - for many years - they can't do it. Now all of a sudden, with certain strings attached, they can go into the Hudson & Manhattan. And at the hearing on the Turnpike Surplus Bill before one of the Senate Committees the Port Authority in their examination by the Senators admitted then, I believe for the first time, that it wasn't illegal. But for so many years we have heard that. It isn't so. They can do it. They don't want to do it. And nobody, unfortunately, over the period of years from New York or New Jersey, or the two states combined, has directed them.

Q Do you feel that the Legislatures of both the states should direct, whether its practical and advisable, in the first instance rather than wait for recommendations from the Port to the respective states as to the advisability of taking any particular project over?

A If you wait for the Port Authority to tell you what part of the railroad problem they think is advisable ---

Q On any problem. And I'm not trying to infer this.

A I know you're not, Senator.

Q I think from your report here, which is somewhat comprehensive - I would say very comprehensive involving schedules - you apparently are very conversant and familiar with the history of this situation. Now, we are trying to elicit information from you as to any personal knowledge you have relative to this situation. I am not trying to embarrass

you. We want facts if we can possibly get them. A I know you're not. I didn't infer that. But I say, if we wait for the Port Authority to make a suggestion as to how they can come into this railroad picture, I don't think we will ever do anything. I think Commissioner Palmer is the first man in the State of New Jersey who has done anything concrete. I think he's done a wonderful job. I don't know what persuasive efforts he used on the Port Authority but he seems to have mellowed them so that they are willing to talk on the Hudson & Manhattan aspect of it, with certain strings, which I don't think the Senate and Assembly, the Legislature and the Governor should accept because, even if it were practical at this time to limit them to one thing, how can you for all time in the future say that they will be out of anything else. We don't know and they don't know what tomorrow holds forth.

Q Do you think this is the number one problem in New Jersey, this problem of commuter transportation?

A I think it is as important as any other problem in New Jersey because if the railroads fold the State of New Jersey is going to be adversely affected economically, terrifically adversely affected, and we would be faced with the same thing that has happened in Los Angeles - the tremendous cost of building up roads over the State, or over this Northern New Jersey area and then it will be shown that they can't carry the load and we will have to go back at ten times the cost and rebuild the railroads. It has happened. We see it actually now in another state.

Q You heard the Commissioner cover that very subject?

A Oh, yes. And I fortunately attended a meeting of our group and several other groups with Commissioner Palmer and Mr. Thomas, his aide, on this, who was out to Los Angeles and gave us a very comprehensive report. And it is from Mr. Thomas' report that I am making this statement, but Commissioner Palmer alluded to it.

SENATOR FARLEY: Any questions?

BY SENATOR DUMONT:

Q How many people are involved in your group, Mr. Dreier?

A In our area, commuters - I would say, and it's rough, I did have it but I didn't bring it with me, but I would say approximately 50,000. Some of them on the Pennsylvania in the Elizabeth area, etc.

Q Do you agree with the statement that I've heard Commissioner Palmer make a number of times but I don't know whether he made it specifically this morning, that if the passenger trains cease to run we would have to have twice as many highways in the next 20 years in New Jersey as we otherwise will have to have providing we keep the trains in operation; that in turn would waste not millions but billions of dollars in federal and state funds, covering communities right and left, and take many millions of dollars worth of property tax ratables off the rolls. Do you agree with that?

A Well, I agree to this extent that I think he's modest. I think it might be more than twice. But yes, I do agree.

BY SENATOR FARLEY:

Q It would be greater than that, wouldn't it, Mr. Dreier, involving our economy, loss of employment to railroad

employees, the loss of opportunity for making it inducive and conducive for industry to come to New Jersey? because, may I say, the very artery to success of any factory is distribution and transportation. So it even has a greater depth than highway costs and losses, does it not? A There is no question about it. I know in talking - and I won't give grandiose figures but I can say that at least a half dozen people, substantial citizens in our area - and I know Mayor Taber has told me the same thing up in his area - substantial citizens, executives, and it would affect everybody all the way down, that if the railroad service was disconnected and they had to rely on busses or on automobiles to go to New York they would move from the State of New Jersey. And the exodus, I believe, would be tremendous with its resultant loss of that income to New Jersey as well as its effect on property values in the areas affected.

SENATOR FARLEY: Any further questions?

BY SENATOR DUMONT:

Q Mr. Dreier, you mentioned, and you followed the thought of Mr. Taber and Mr. Harrison and Mr. Tilley, that the Port Authority ought to provide the facilities but not operate the trains. I don't believe I have heard any of you witnesses say who you think ought to operate the trains.

A The railroads themselves.

Q Well the Hudson & Manhattan or somebody else?

A The Hudson & Manhattan to operate theirs, the Central Railroad, the DL&W, Lehigh, or what-have-you, to operate on their own lines and they would come into this central or union

terminal, whatever it may be. There would have to be certain working arrangements which I think could be obtained between the railroads where there are parallel tracks, now that they will be going into the same line, of eliminating one set of tracks and having the joint usage, something that could readily be done.

SENATOR DUMONT: Thank you.

SENATOR FARLEY: Thank you very much, Mr. Dreier. If there is any additional data or any information that you might think would be informative to this Committee, the Committee would be very glad to have it. And after the receipt of any such information if we feel that it requires examination, we will ask you to appear voluntarily.

MR. DREIER: Thank you very much, Senator.

SENATOR FARLEY: Mr. Ross Nichols.

R O S S N I C H O L S, called as a witness, being duly sworn, testified as follows:

BY SENATOR FARLEY:

Q Your name, please, Mr. Nichols? A Ross Nichols.

Q Your residence? A I live in Rahway but my office is at 614 Frelinghuysen Avenue, Newark.

Q And whom do you represent, Mr. Nichols?

A I represent the Newark Economic Development Committee.

Q I understand you are desirous of testifying here today? A Yes, sir.

SENATOR FARLEY: Go right ahead.

MR. NICHOLS: It seemed to our Committee, which is concerned with the growth and development of Newark, that this was an opportune time for us to tell you gentlemen that we think that the continued operation of the H&M Railroad is vital to the development and growth of Newark; and hopefully that the H&M will improve and carry more passengers, than it now does, under the plan that the Port Authority and Commissioner Palmer have broached to have them take it over.

So we merely wanted to put before you that this group of businessmen and some members of the government in Newark, and members of organized labor in this group, all feel, as this resolution says, "that the State Legislature should authorize the Port of New York Authority to assume major development responsibilities of the H&M," and that I am authorized to tell you so.

SENATOR FARLEY: Thank you very much.

Any questions? (No questions)

Let the resolution be marked in evidence.

Thank you very much, Mr. Nichols.

MR. NICHOLS: Thank you.

(Resolution referred to received and marked  
Exhibit A-6. - See p. 106-A)

SENATOR FARLEY: Mr. Rudolph Schroeder,

Hoboken Chamber of Commerce.

R U D O L P H S C H R O E D E R, called as a witness, being  
duly sworn, testified as follows:

BY SENATOR FARLEY:

Q Will you state your name, please? A My name is Rudolph Schroeder, Hudson Trust Company, Hoboken, New Jersey.

SENATOR FARLEY: Proceed, Mr. Schroeder.

MR. SCHROEDER: I do not appear in any representative capacity and I really did not anticipate presenting any matters to your Committee. But in the light of what I've heard today, I would like to make a few comments as an individual, not representing anybody else.

SENATOR FARLEY: We will be glad to have it.

Go right ahead.

MR. SCHROEDER: Mr. Chairman, you inquired about the Comprehensive Plan. The Port Authority Compact was adopted in 1921 and about a year later the Compact was implemented by the adoption of what is known as the Comprehensive Plan.

The Comprehensive Plan provides for the Port Authority to carry merchandise and freight across the Hudson River by vehicles or by rail; and it provides that the Port Authority may build tunnels or bridges to Brooklyn or Manhattan in order to have perishable goods delivered promptly in the Borough of Manhattan.

The purpose of the Comprehensive Plan was to establish rail transportation between the two states, and nothing else. That was the all-embracing problem at that time.

The Comprehensive Plan was adopted and under the Comprehensive Plan there is wording to the effect that the Port Authority should immediately proceed with the work. They thereupon proposed a belt line railroad that ran in

New York and New Jersey, submitted it to the railroad, the railroads rejected it because it was fantastic, unworkable, and it never came into being.

The result of that was that they turned to building vehicular bridges. They started in, as you know, in Staten Island and after building several bridges in Staten they were on the verge of bankruptcy. And in 1931 the legislatures of the states of New York and New Jersey bailed them out by turning over the Holland Tunnel to them for \$50 million. The understanding was that the Holland Tunnel should be free of tolls when the principal or the main indebtedness had been paid off. That has not eventuated.

In addition to that, the Act of 1931 provides that the Port Authority has a monopoly for vehicular crossings, from the Battery up to Nyack.

Now they come before this organization of the State of New Jersey and want a monopoly on the railroads between New York and New Jersey.

I think that the matter of giving the Port Authority a monopoly, just to take over the Hudson & Manhattan Railroad, would be very shortsighted and would absolutely tie in a knot the State of New Jersey from ever in the future doing anything to unscramble the situation.

Now, Mr. Tobin in his statement made before this Committee on September 27 - I have a little pamphlet here and I read from one of the pages and it says this: "All Port Authority revenues are subject to rigid statutory and contractual

controls which we are powerless to impair. These revenues must be applied first to meet the operating and maintenance costs of facilities, then to the principal and interest payment on the bonds. The entire remaining balance of revenues must then be paid into specific reserve funds. First, payments must be made into the general reserve fund to maintain it in an amount equal to 10% of the principal amount of outstanding Port Authority Bonds. Then" - and get this - "Then all revenues which are not so required for the general reserve fund must be paid into special reserve funds which are pledged to support outstanding bonds."

In other words, while the Legislature slept, the Port Authority has introduced bill after bill in both legislatures, not in the early stages of any session but at the end or toward the end of every session, and so cemented their position that the State of New Jersey is absolutely powerless to do anything at the present time.

Now, do we know anything about the financial affairs of the Port Authority?

SENATOR FARLEY: Not to interrupt you, but the State of New Jersey is not powerless.

MR. SCHROEDER: Well, I'll come to that in a moment.

It seems to me that having tied itself in a knot at the present time, something ought to now be done to unscramble the situation. One way would be, as has been suggested, that you do not permit the Port Authority to expand any further. It's really an expanding universe and it is not only now considering a monopoly of the railroads but it is also

considering converting Teterboro Airfield into an industrial park, in competition with industry.

Now, what opportunity has anybody to know anything about the Port Authority's finances? In 1921 or '22 the State of New York passed an Act which provided that the Comptroller of the State of New York would have the right to examine the financial affairs of the Port Authority. And when on one occasion he went down to the Port Authority and said, "Let me look at your books," they raised their hands and said, "Get New Jersey to adopt the same act."

SENATOR FARLEY: We are going to examine their finances, Mr. Schroeder.

MR. SCHROEDER: Now, what did New Jersey do? I have never been to the legislature but I have prepared an identical bill to the bill that was passed by New York and attempted to have it made a law in New Jersey for about three or four or five years. And finally, in 1950, the act identical with New York was passed and it's on the books.

A year later a friend of mine wrote to the then State Treasurer and said to him, "Why don't you implement the laws of 1950?" No letter was received for a month or so. Finally this official wrote to my friend and said, "I have consulted the Port Authority. The Port Authority tells me that it would take 50 accountants, 50 lawyers, 50 engineers, to examine the financial affairs of the Port Authority."

Now, efforts have been made since then to modify the law for the purpose of requiring the Port Authority to pay the cost of examination. There isn't a bank in the State of

New Jersey, whether it's national or state, that doesn't have to pay for any examination that is made of their affairs. Why shouldn't the Port Authority bear that expense?

Now in that connection, that's the way the law is at the present time and nobody knows a thing about the financial affairs of the Port Authority except as the Port Authority graciously, by self-serving releases, tells the servile public of New Jersey and New York what it's all about, and issues every year a picture book without any particular information that anybody can hang a coat on.

Now, what opportunity have we in New Jersey to examine or to get any information? The Port Authority is sprawled over 9 counties in the State of New Jersey. Where do you go to find out anything about the Port Authority in the State of New Jersey? The only place is in the State House. And I went down to the State House a few years ago, and Driscoll was Governor, and I said, "Let me see the minutes of the Port Authority." What happened? After some consultation they produced the minutes - one, the latest. When I asked for the earlier ones, another consultation took place. They came out with the statement, "The Governor has made some notations along the margin. It's a private record."

Do you think the State of New Jersey ought to stand for that sort of a situation?

A bill was introduced in the Legislature in 1950 - I can send you copies of it - which provides for the publication of the minutes of the Port Authority so that the public, you and

I and other people interested in Port Authority matters could advise the Governor if they had any ideas about the work of the Port Authority and whether or not he ought to exercise his right of veto.

That bill was never passed. It has been introduced a number of times. And the people of the State of New Jersey are absolutely ignorant of Port Authority matters excepting as the Port Authority hands out releases.

Now, it's about time that the Legislature stopped this expanding universe of the Port Authority. That's number one.

Secondly, it's about time that the Legislature provided that the Port Authority pay for the cost of examining their financial affairs.

Thirdly, it's about time that the Port Authority makes the records of its minutes available to the public so copies can be sent to each legislator, whether he's a Senator or an Assemblyman, and have them deposited in libraries in the 9 counties, and with the county clerks, so that an ordinary citizen could go and look at them or that a citizen can subscribe for a dollar or two dollars a year.

It's about time we knew something about the Port Authority and we don't know anything about it, as is illustrated by the testimony that has been elicited here.

Now take the matter of the Metropolitan Rapid Transit Commission. You remember at the time that the Commission was organized, one in New York and one in New Jersey, the New York bills provided that they should only look into the matter of rapid transit. In New Jersey the bill provided it

should look into the matter of not only rapid transit but freight between the two states and other incidental items in connection with rail transportation across the river.

What has happened?

The two bodies acted independently of one another. They finally merged. And when they merged the feature in the New Jersey bill was eliminated and all that the Metropolitan Rapid Transit Commission was required to look into was the matter of rapid transit. You can see the fine Sicilian hand of the Port Authority in all of it.

And what happened to the Metropolitan Rapid Transit?

The Commission was taken over by the Port Authority with the result that you had a report that didn't amount to anything.

The result is that we know nothing about the Port Authority. The average person is absolutely uninformed regarding it. You, as Chairman, indicated that you wanted information with regard to the Comprehensive Plan.

I have been interested in transportation for almost 30 years, since 1932. And what has happened is this, that the Port Authority has absolutely prevented private enterprise from solving the rail transportation problem between the two states. They have blocked it in every possible way that they could possibly devise - savagely they opposed it in every possible way that they could.

Now at the time Mr. Elder, who was quoted in this report, was a member of the Metropolitan Rapid Transit Commission, he suggested that private enterprise should submit their thoughts and ideas with regard to private enterprise handling

the rail transportation across the river. The Metropolitan Rapid Transit didn't consider the matter at all, didn't make any inquiry or ask these people to appear before them.

About a year and a half ago the matter was brought to the attention of Mr. Palmer. He hasn't made any effort to inquire whether private enterprise could do the job.

It is my confirmed opinion, as a lawyer, - I'm not a railroad man or anything else - but you give the guarantees that the Port Authority wants from the State of New Jersey to the Hudson & Manhattan Railroad and they, as private individuals and as private enterprise, can solve their own problems. All they need is the same monopoly that the Port Authority asks for, and private enterprise would take care of it.

Now I subscribe to what Mr. Taber stated, that if this Committee would give the commuter people and others an opportunity to further develop this matter and give them ample time to prepare, I think more enlightened information can be presented and anything that I have said can be absolutely documented.

SENATOR FARLEY: All right.

Now, Mr. Schroeder, may I tell you that one of the directives of this Committee is to ascertain whether or not the Port has complied with its statutory obligations. You as a lawyer can appreciate that the language is very comprehensive.

One of the things that the Committee will go into will be their financial situation. We will

ascertain it. And our report will be a comprehensive report to the Legislature with recommendations.

As I stated before, we are here fact-finding. We are here to spend any time you desire, whether it be two weeks or a week from now, in order to ascertain information, recommendations or criticisms or any thoughts regarding any commuter problem or any problem involving the Port situation.

So I want to tell you, as a member of this Committee and Chairman, that nothing is going to be circumvented. We are going into this thing very thoroughly.

MR. SCHROEDER: Well, all I want to finally say is that the Port Authority has been in a dominating position to brainwash the entire metropolitan area with their self-serving declarations and releases to the press.

SENATOR FARLEY: Well, I can say to you that they are not going to brainwash the State of New Jersey or the Legislature, that we are going to have facts to report to the Legislature as to our findings and recommendations.

Thank you very much, Mr. Schroeder.

Any questions?

BY SENATOR OZZARD:

Q To correct something for the record, sir, - regarding your statement that the Legislature is sleeping - we may doze occasionally but a good many of us find it difficult to sleep soundly at night, let alone in the legislative

activities that we carry out. I think the projects we have authorized, at least in the last 6½ years that I have been in Trenton, have been with a view toward whether or not they serve the public, and in our judgment if they have we've endorsed them as a Port Authority activity.

Now as to the question concerning one of your statements - I understood you to say that you felt the Legislature should stop any further expansion of the Port Authority's activities. Is that correct? A I believe so.

Q Then you don't agree with the preceding witnesses who feel that the Port Authority should take over any of the railroad facilities including terminal facilities which would be an expansion of their present activities?

A I would say that if the Port Authority is to take over the Hudson & Manhattan they should not have the monopoly that they ask for.

Q The question, sir, is, do you oppose their getting into the railroad field in any manner whatsoever which in any way constitutes an expansion of their present activities?

A Well, in the first place, I'm in favor of private enterprise.

Q So am I. A I believe that the matter of private enterprise has not been explored by any commission up to the present time, as to whether or not the rail transportation problem across the Hudson River can be solved by private enterprise. And I say that if you give the monopoly and syphon the Central, the Pennsylvania, the Lackawanna, the Erie, and all of these railroads into the

Hudson & Manhattan, you don't need the Port Authority. In my opinion that ought to be explored. And you ought to try to preserve private enterprise rather than have government do it.

SENATOR OZZARD: No other questions.

BY SENATOR DUMONT:

Q Now, Mr. Schroeder, if I gather the substance of your testimony - I am not trying to be facetious here but I get the impression that you think nobody has really done anything about the Port Authority - Commissioner Palmer, the Legislature or anybody else, while it's been expanding. A Oh, no. No. I don't say that Mr. Palmer hasn't done anything. I think they're on the wrong tract. That's all. I'm not dissecting their report. I haven't had a chance to read the statement.

Q Now in the course<sup>of</sup>/recommending that the Legislature wake up, which I guess is what you are recommending, what do you propose that we do? A Well, in the first place I think you ought to amend the Act, that the Port Authority be required to pay for a financial determination of their affairs. That's number one. Secondly, you ought to pass an act that makes the minutes of the Port Authority available to everybody, anybody who wants to subscribe to it. Those are two things that I would definitely recommend.

Q Now on this one occasion when you were in Trenton and you asked for the minutes and there were notes, or something like that, reported to have been on the margin of the minutes, - you realize, of course, that the Governor of each state has a veto power over these minutes? A I do.

Q Therefore, it would seem to me that it is entirely likely - of course, I don't know if there is only one copy submitted to Trenton, but the copy that goes to him would very likely have had some notations by him on the minutes.

A Well now, if he had another copy, which he should have had, it could have been open to the public.

Q That seems reasonable. He should have more than one copy.

A And I say that ought to be available to you and to me and to everybody that wants it, and it's about time we knew something about the Port Authority, which we don't.

SENATOR DUMONT: Thank you.

SENATOR FARLEY: Thank you very much, Mr.

Schroeder.

It has been requested that the 1952 Legislative Report by the Port Authority to the State of New Jersey be made part of this record and I so direct you to get a copy and likewise a copy of the Comprehensive Plan. I don't know the year it was adopted but it may have been 1921, '22, '23. The New Jersey Library, no doubt, will have a copy.

I will call upon now, William Stack, President of the Hoboken Chamber of Commerce. Mr. Stack.

W I L L I A M J. S T A C K, called as a witness, being duly sworn, testified as follows:

Q Your full name, Mr. Stack? A William J. Stack.

Q Your residence, please? A 422 Hudson Street,

Hoboken. And my business office is 1 Newark --

Q What is your business, Mr. Stack? A I'm in the real estate and insurance business.

Q And you represent who? A I represent the Hoboken Chamber of Commerce.

Q The Hoboken Chamber of Commerce? A Yes. I am President of the Hoboken Chamber of Commerce, and I have been the Chairman of the Planning Board in Hoboken and a member of the Planning Board in Hoboken which projected the master plan; and I also was Chairman of the Citizens Advisory Committee that negotiated the pier terminal property in Hoboken between the Port Authority, the Maritime Commission and the City of Hoboken.

SENATOR FARLEY: Go right ahead. Proceed to testify and give us any facts that you think are pertinent.

MR. STACK: I am here simply as President of the Chamber of Commerce. I have lived in Hoboken all my life. I have traveled the Hudson & Manhattan Railroad from the day it opened to the present time.

I have read the report of Mr. Tobin. I have seen with my own eyes the deteriorated condition of the Hudson & Manhattan Railroad. Back some years ago I testified for the Hudson & Manhattan Railroad before the Interstate Commerce Commission as to the value of their underground easements over in Exchange Place in Jersey City. I made appraisals for the Hudson & Manhattan Railroad, and I can't think of the man who was President at that time but I think

he was in Mr. Hoover's Cabinet when he was President of the United States, - and Mr. Kelly Graham the President of our First National Bank in Jersey City was on the Board of Directors.

I am simply saying this - I am fully aware of the efficiency and ability of the Port Authority and what they can do. Hoboken, as you know, is a small city of about 50,000 population. We have some of the most important industries in America located in our city.

Our transportation facilities are very important. Today we have one ferry left. At one time we had a ferry at 14th Street, Hoboken, going to 23rd Street; we had ferries going from the lower section of Hoboken up to 23rd Street; we had ferries going to Christopher Street in New York and ferries going to Barclay Street, New York. Now we only have the Barclay Street ferry left.

A great number of people come into Hoboken every day to work. A great number of the citizens and residents of the City of Hoboken go to New York to work every day and come back.

Our City, as you know, was probably the most important city in America in World War I, and it was very important in World War II.

The Port Authority has built in Hoboken the finest steamship terminal in America, in my opinion.

I am in favor of the Port Authority taking over the Hudson & Manhattan Railroad and operating it.

SENATOR FARLEY: Any questions?

BY SENATOR DUMONT:

Q You would have the Port Authority actually operate the trains? A I certainly would.

Q How about these restrictions that they surrounded their proposal with? A I have no comment to make about those. I am only talking about my knowledge of the ability of the Port Authority and its organization to operate the Hudson & Manhattan Tube in an efficient manner.

SENATOR DUMONT: Thank you.

BY SENATOR FARLEY:

Q You are confident that if the Port takes it over it will be operated in an efficient fashion? A I certainly am.

SENATOR FARLEY: Thank you very much.

Mr. Arthur Smith.

A R T H U R E D W A R D S M I T H, called as a witness, being duly sworn, testified as follows:

BY SENATOR FARLEY:

Q Your full name, please? A My name is Arthur Edward Smith. I live on Old Tappan Road, Old Tappan, New Jersey.

Q Whom do you represent, Mr. Smith?

A Well to tell you the truth, I don't quite know. I represent a ghost. Our commuter line was abandoned about a year ago but the ex-commuters are still in being, they still meet one another, and as far as we can we are still fighting for the restoration of our rail service which has been discontinued.

Q You mention "restoration of rail service," will you describe, for the purpose of the record, what rail service you are talking about?

A Yes. I am talking about passenger service from West Haverstraw to Weehawken. And we also want connections from Weehawken to Midtown New York and to Downtown New York. The connection to Downtown New York could be over one of the existing foreign lines. But to Midtown New York, it would have to be by charter bus through the Lincoln Tunnel.

Q Who do you recommend to provide this service? any particular private enterprise?

A Yes.

Q The Port Authority, the State of New Jersey, or what agency, if you know of any?

A We recommend that the New York Central Railroad which provided it before should be made to provide it again. Mr. Pearlman has said that they will not under any circumstances restore the service. That is to say that however much money they make out of it, whatever inducement is given, whatever side benefits there may be, they will never again give us back passenger service.

Q At the time of the termination of service, was application made by the New Jersey Central to terminate this particular line?

A This is the New York Central.

Q New York Central. I understand .

A Yes. They applied over a period of four years.

Q And did your group oppose it at that time?

A We fought them like all get out for the four years.

Q But apparently there was sufficient evidence before the Public Utilities Commission to discontinue the service. Is that right?

A No, there was not.

Q There was not, but they discontinued it anyhow?

A They went to Washington.

Q I see. They went to the ICC.

A They went to Sherman Adams -

Q I see.

A And Sherman Adams went to some unknown ghost and that unknown ghost went to the ICC. What's more than that, Mr. Pearlman himself went to the ICC. And I have records of Mr. Pearlman's little talks, playing footsie under the table with the ICC. And the result of that was that if an ICC Commissioner voted against the Central, he lost his job. One did lose it, and one, I'll tell you, was threatened with it. But if he voted with the Central Railroad, then apparently Santa Claus looked after him and he kept his job. The result was that the ICC didn't find it very difficult to recommend, in face of all the evidence, in face of plain facts which were not disputed or which were not disproven although they were denied, - in the face of the facts the ICC allowed the abandonment of the passenger service from the West Shore Railroad.

Q Contrary to the findings of the Public Utilities Commission?

A And contrary to the case which the State of New Jersey fought in the law courts, over and beyond that.

Q Do you think that the Public Utilities Commission should have greater power and power of revocation of

franchise if they did not comply with their order? Do you understand that question? A I don't but I do understand this, that the State should take care of everything that it can take care of and the federal government should take care of only what the State cannot take care of.

SENATOR FARLEY: Any questions?

BY SENATOR DUMONT:

Q Mr. Smith, aren't you the gentleman who sends out these letters or statements that you write from time to time, by mail, to each of us? A I have plenty to say about it. You know about me, you know about me, your Mr. Harper knows about me and your Mr. Stout knows about me. You have all heard from me. And you've heard the greater part of my story at one time or another before, as and when things came up, and perhaps the thing has to be repeated when you are sending out to separate groups. But anyway, you've had a good day of it already.

SENATOR FARLEY: Oh, no. We're here to listen. Go ahead.

THE WITNESS: Is that all of your question?

SENATOR DUMONT: Well, I just wanted to be sure. I thought you were the same gentleman who writes these articles that come to us.

THE WITNESS: Yes. I thought you might have guessed it.

BY SENATOR FARLEY:

Q Have you ever contacted Commissioner Dwight Palmer relative to your problem involving railroad service?

A I'd say we have, and how. He is the man that told the world that our service on the West Shore was not essential. He heard a little from us about that. And then he decided that it was essential. And what happened after that between Commissioner Palmer and Mr. Pearlman, or not between Commissioner Palmer and Mr. Pearlman, as the case may have been, but anyway, what happened was that they decided that although our service was essential the New York Central would have nothing to do with it. And then I say right to them, we'll have something to do with the New York Central. And that's what we're engaged in now. That's what brings me here.

BY SENATOR DUMONT:

Q How many commuters were affected when this service was abandoned?

A We were appointed to our job by about 4,000 commuters who were the straggling remnants of an excellent train service of about 20 trains a day. How many people used it then, I don't know.

Q Didn't Commissioner Palmer try to work out an alternate service for you when that abandonment took place out of New York Central?

A If you care to dignify it by that appellation.

Q Well I just want to know, that's all.

A What he ought to have done was to devise an alternate service, swiftly and comfortably, from Weehawken Station to the City. What he did devise was a bus service from points spilled all over New Jersey to the bus terminal. And what happened then?

The amount of fare we had to pay to go from Weehawken to the other side of the river was as much as you would have to pay to come right down the State from Haworth to the other side of the river. And it took us at least as long or a little longer. Well, naturally, with that kind of service, if it was as cheap to go, say from Haworth or Dumont as to go from Weehawken, who the devil is going to Weehawken? That's what Commissioner Palmer did. And he said that they had excellent cooperation from our bus companies, and I bet they did.

(Off the record)

THE WITNESS: While we're on the matter of the record, I would like to object to one of Commissioner Palmer's remarks this morning. He referred to the -- well, he put it this way, that when the men went off on the tug strike, if the West Shore had still been running, all the men in New Jersey would have gone. Now, on his own admission at that moment, it was hearsay and therefore it is not testimony. It was not relevant to the issue that's before us. And I was busy at lunch time telephoning members of the unions and they tell me that it's not true. And on those three grounds I ask you to delete Mr. Palmer's remark from the record.

SENATOR FARLEY: Well, under normal procedure you have no right to delete any proper testimony that is pertinent. You certainly can give your viewpoints but we don't let one witness delete the testimony of another witness. To make it very clear, you can disagree with

any previous witness in your testimony but we are not deleting any testimony of Dwight Palmer or anyone else here today.

THE WITNESS: But my point is that it is not testimony. He admitted that it was hearsay.

SENATOR FARLEY: That is for the Committee to determine whether it is sufficiently pertinent to be included in its report and determination.

I don't want to argue with you but I say that's within our province.

THE WITNESS: Then I would like to give some more testimony of the same kind.

In the course of my telephone talks to union officials this morning, I was told that they had no reason to suppose that there was any truth whatever in Mr. Palmer's remark.

SENATOR FARLEY: Mr. Palmer is a very reputable man, Mr. Smith.

THE WITNESS: Mr. Smith is a very reputable man.

SENATOR FARLEY: Well I don't disagree with that but Mr. Palmer has done a tremendous job in the responsibility that he has. Not that I am trying to espouse the cause of our Highway Commissioner but in our experience with him, legislatively, he has been extremely cooperative in carrying out the responsibilities assigned to him.

THE WITNESS: All of that has nothing to do with this particular point.

SENATOR FARLEY: Well, as I say, you can have different viewpoints but I don't like you to attack the integrity of anybody and especially such a responsible individual as Commissioner Palmer.

THE WITNESS: Without attacking his integrity, I would like you to admit my testimony.

SENATOR FARLEY: It will be admitted, anything you have to say. Go ahead.

THE WITNESS: Well, we have gotten so far off the track that I don't know --

SENATOR FARLEY: Take your time.

MR. SMITH: Now, in regard to the Hudson & Manhattan case, it seems to me that it's beside the point to decide whether the Port Authority should or should not run Hudson & Manhattan trains, for this reason, that they can't do it. Running trains is a job for railroadmen and only railroad men can run railroads. It's a highly technical job and it is not the sort of job which ought to be put into the hands of any bureaucracy.

You gentlemen who have been hearing from me for three or four months past will no doubt recall that I recommended from the very beginning that the Hudson Terminal should be a combination terminal, open end, for all of the railroads wanting to come into downtown Manhattan.

Now, that's going to lead to some other things

which we will come to in a minute. We have never, never recommended that the Port Authority should run trains. We have recommended that they should own and operate the terminal but we have never wanted the Port Authority or the Railroads to do any operation at a loss, for this reason: we have reason to believe that it's not necessary. We have been working on this for over ten years and we see no reason whatever why the railroads should not be made to pay if they are running the same way as the most progressive industries of this day and age.

After all, in the West even commutation services pay. The Chicago & Northwestern, The Burlington, the Sante Fe, they are quite satisfied with their passenger service. They are not happy about it in its present state but they do expect that it will be better before very long and they want to keep it and they value it.

Now, if those railroads whose territories are much more scattered than our densely developed territories around here, if those railroads can make the thing pay, why can't our people? We'll come to that in a minute.

But in passing I will mention that during all the hearings of the West Shore Railroad, and there were a devil of a lot of them, - during those hearings we found that a good many of the trains did pay, above the rails, - that means' exclusive of overheads.

Now there is good reason for believing that the overheads should be carried entirely by the freight and not by the passengers. For this reason: It is always found that

when the passenger service goes, the freight service loses still more. There are many reasons for that but this is one of them - the passengers leave; alternative facilities have to be provided; those alternative facilities are at once used by trucks and those trucks take away so much from the freight business of the railroad that the loss of money on freight is then more than they would have lost if they kept on running passengers.

Now the question was whether the railroads can be made to pay. You don't need to go very far to do it. You have only to do on every railroad the things which are done best on any railroad. Do away with dead-end terminals as the subways have done. Go in fully for electronics and automation as they have done in the freight yards. They have automated passenger trains, not merely train X or Explorer or any of those, but something a little ahead of that, and it can be done. The only thing is they are waiting to apply the engineering brains to the job to do it. And why they haven't done it, many years ago, I don't know. But I do know this, that it took them 20 years to put a diesel engine on a locomotive bed, and they are slow in moving. And that is the way it goes with invention and with new technical ideas. They are received with a doubt and hostility in the beginning and people seem to be able to digest them only slowly. Now if that's the way of the world, why can't we accept it and then put up with it and allow for it? Those are the rules of the game.

Very well, the railroads don't do one-half of the selling job. Go down to - I've forgotten its name, it used to be the Pennsylvania Hotel, opposite Penn Station - you'll see that every airline has a ticket office in the foyer, in the vestibule, in the hall of that hotel. Not one railroad has a ticket office there. And if you want to get a ticket, say to Cincinnati or something of that sort, you've got a devil of a walk or inquiry and so on, to get it.

Well, there are quite a number of other things to do with public relations and serving the customer which I could go into, but there is no need for that here. The point is this, that the way to save the railroads, not only the commuter service but all of the service, is not by subsidizing the methods of grandfather's great uncle but by selling rides and selling haulage. And there is no other way to do it. I don't care who comes to you with any scheme, whatever it is, with any ideas for subsidies, there is only one way in the long run and that is to sell rides.. And the only way to sell rides against competition is to give better service for less money. And what the railroads have done is to give worse service for more money. They lose some business and so they cut some trains. And you can get a train down in the morning but you can't get one back. That is, the service is worse. So you give up using the railroads. They lose more money and they give worse service for more money. And so it goes on until they have to come to the State and say, "Oh, we're broke, we're busted.

Give us a handout or we can't go on." And you'll be in a much worse state than you have ever been.

SENATOR FARLEY: All right. Thank you very, very much, Mr. Smith. If there are any further recommendations that you have we will be glad to accept them. If you will contact any member of the Committee, we will be very glad to put them in the record.

MR. SMITH: There is this: Two other of our men were to have come today but they've not been able to get here, but I've got their story and I will give it as my testimony as I have been sworn and they haven't.

(Received and marked Exhibits A-9 and A-10 - See p. 107-A and p. 109-A)

MR. SMITH: Now, there is one other thing. After you've heard the story of the Port Authority, you may have some questions which ought to be answered by someone other than the Port Authority.

SENATOR FARLEY: Well, don't you worry about that. There are some pretty capable members on this Committee and I think they know where they are going and what they want to find out. They are very intelligent fellows and they can ascertain what they want to find out. If there are any questions, we will subpoena people.

MR. SMITH: There will be no need for that. What I was going to say was, if we can give you the passenger's viewpoint on any of these matters, we will be very glad to come along.

SENATOR FARLEY: We'll be very glad to have it.

The last witness today will be Mr. Thomas N. Stainback of the Jersey City Chamber of Commerce.  
T H O M A S N. S T A I N B A C K, called as a witness, being duly sworn, testified as follows:

BY SENATOR FARLEY:

Q Will you state your full name, please?

A Thomas N. Stainback.

Q Your residence, please? A 107 Kensington Avenue, Jersey City.

Q Your business address? A 921 Bergen Avenue, Jersey City.

Q And you represent whom? A I am Executive Vice President, Jersey City Chamber of Commerce.

SENATOR FARLEY: Go right ahead, Mr.

Stainback.

MR. STAINBACK: The statement I am about to give represents the thinking of the directorate of the Jersey City Chamber of Commerce, an organization of 500 business, industrial and professional firms, with a total employment exceeding 35,000 people located in Jersey City.

One of our prime concerns is assuring the proper long range redevelopment of Jersey City and Hudson County so as to be more attractive to residents and industries. This we believe is especially significant in Hudson County, as it is the smallest and the most densely populated county in New Jersey.

Certainly a prerequisite for such development demands more than just adequate transportation. We recognize, too, that Metropolitan areas be treated as entities. We must treat various operations within this entity, not in the terms of the functions they formerly performed, but in terms of the functions they now perform, and must perform in the future. The development and improvement of transportation can be a great step in assuring "center core cities," such as Jersey City, of their rightful existence as a business, industrial and residential community of the future. It is this belief that prompts us to appear at this hearing today.

A recent report by the Bureau of Research and Statistics, Division of Employment, New Jersey Department of Labor, indicates that Hudson County has been referred to often as "a welcome mat for New York City and a vestibule for New Jersey."

This is so true, when we realize that Hudson County is not alone a commuters county, but one in which commuters pass through. The above mentioned report indicates Hudson County has more than 200,000 people moving into, out of, or through it daily. These figures have been approximated by other sources.

Jersey City, as the largest municipal unit within the county, and with the prime business areas, has a great deal at stake in the commuter problem, and thus in the improvement of commuting service and equipment.

Jersey City is a sizeable retail entity and at least several sections of its retail community are directly affected by the commuter. The Hudson and Manhattan strike in 1957 clearly proved this when it so adversely affected a highly concentrated, highly assessed, highly taxed area such as Journal Square.

Jersey City is an established industrial community - drawing its workers from within the county, as well as adjacent New Jersey counties and New York City.

Jersey City can be proud of the fact that three industrial parks have recently been opened within the city. The most recent of these featured ground breaking ceremonies only this week. These will prove invaluable in the future industrial growth of the community, but this development will, in turn, demand good transportation. We believe this development is ahead of us for numerous reasons, principally the prime location and the resurgence of community faith transmitting itself within our city today.

Many views have been expounded in recent years on the commuter problem and its effect in our own particular area. In the face of such adversity, the commuting units have continued to give reasonable and effective service.

The Hudson and Manhattan, under the expert guidance of Herman T. Stichman, has met head on in a superb manner such problems as the recent tug - rail strike.

It has, however, been the view of the Jersey City Chamber of Commerce for sometime now that the Hudson and Manhattan should rightfully be an operating problem for the Port of New York Authority. As the line has grown older; as the need for new equipment has arisen; as the commuters have diverted to other forms of transportation, we have felt the need to be even more prevalent.

We believe the Hudson and Manhattan is the core of the commuting problem between New York and New Jersey, and it must first be improved by the addition of new equipment, new signals, and a determined effort to attract many commuters back to the realm of rapid transit.

We believe the future is bright for the Hudson and Manhattan when the above policies are developed. At least, as we see it in Jersey City, this is so. We say this because of the following reasons:

- (1) The above mentioned industrial development.
- (2) The recent change in form of government which may not only will retain many residents, but likewise may attract others.
- (3) The urban development programs within the city today. Two of these developments border the Hudson and Manhattan - one at St. Johns near Journal Square, and the other at Gregory between Henderson and Exchange Place stations. Both of these middle income developments should attract many commuters. The first 225 unit building at St. Johns will be completed this spring.

And I might add, though it is not in this particular testimony, the Jersey City Chamber of Commerce last year supported a move at that time, which we hope will be fruitful, to eliminate Pennsylvania Railroad Service from that terminal in Jersey City to the Newark Station. This, of course, would mean that those particular passengers would now ride the H&M Tubes. But over and above that, this would reduce trestle effect in downtown Jersey City and would provide for the development, urban developmentwise, of a vast section of our downtown community.

That is a recommendation, too. It was not in this particular statement.

Plans have been recommended concerning tie-ins with other rail commuting lines so as to make better use of the Hudson and Manhattan facility. While we would not wish to comment on these various engineering - traffic proposals, we would hope such connections might take into consideration not alone the commuting problem, but the effect on any particular counties involved.

We would feel attempts to attract auto drivers to the tubes possible if parking facilities were available, affording easy access.

An example of this is easily seen in downtown Jersey City where cars have for several years been parking throughout the day time hours on the Gregory Project and using the tubes for fast transit to New York City. These areas will soon be fenced off. Certainly if commuters would drive to the Gregory Project, they would drive to other such facilities.

Also, I might add, the Churchill-Fulmer report of 1949 clearly showed the desirability of parking facilities and a bus terminal adjacent to the Journal Square Station. Such a facility could again provide an impetus to the commuters to travel by means of rapid transit.

We believe the preceding helps determine the need for not only the retainage of the Hudson and Manhatta, but also its modernization.

We feel the logical agency to do this is the Port of New York Authority. We likewise feel they should not - at least in the foreseeable future - be asked to step into other phases of the commuting problem but rather to assume this "core project," and develop it to its fullest potential.

We believe such a procedure, providing it is given "top priority," could not fail in aiding the commuters, the communities through which the line operates, and even ultimately the business, residential development in both New Jersey and New York.

I thank you, Gentlemen, for this opportunity of appearing here today.

SENATOR FARLEY: Are there any questions?

(No questions.)

SENATOR FARLEY: All right. Thank you very much, Mr. Stainback.

I would suggest - and this is conditional - in the event that the Port does negotiate the sale or purchase of the Hudson & Manhattan, I would suggest to you that you make your recommendations through your architect-engineer to the Port, if perchance they purchase it, or any individual or any corporation, to see if they can comply with your recommendations, to determine whether it is feasible, practical and whether it is within economic reason to develop in that fashion.

THE WITNESS: You mean in the parking facility. area.

SENATOR FARLEY: Yes.

THE WITNESS: We are not here especially thinking of the Port Authority, alone, doing this. What we were thinking is, that with the line being further developed and becoming more progressive, should we say, either the Port Authority or through their many contacts other operators would be in a position to make such a situation logical at Journal Square.

SENATOR FARLEY: And we are not making any prediction that they will or won't. But I say to you, in any event, whoever may see fit to purchase it, I certainly would call their attention to your recommendations.

THE WITNESS: Thank you.

SENATOR FARLEY: Gentlemen, I want to thank you for your undivided attention. I am grateful for your attendance here today.

We will continue the hearing at 10 o'clock tomorrow morning and the first order of business will be testimony from the New Jersey representation on the Port Authority.

We will convene at 10 o'clock and if perchance there is anyone in the room who has not been heard today, I would appreciate your giving me your name immediately following the testimony of the Commissioners from New Jersey on the Port Authority, and you will be heard immediately.

I will now entertain a motion for adjournment. So moved.

SENATOR KELLY: Second the motion.

SENATOR FARLEY: The hearing is adjourned. Thank you very much.

(Hearing adjourned)

(Exhibit A-1)

October 22, 1956

TO: Hon. Robert B. Meyner

FROM: Aaron K. Neeld, Director  
Division of Taxation

SUBJECT: New Jersey Railroad Taxes

Complying with your directions last Thursday I am submitting herewith a memorandum of October 19, 1956 by C. Earle Barnes, State Supervisor, Railroad Tax Bureau of New Jersey's tax treatment of railroads operating in this State.

While the memorandum is complete in itself, perhaps it would be helpful to you if the salient facts were briefly summarized:

1. New Jersey railroads will pay less tax on their property in railroad use in 1956 than they did in 1936. No other classification of property owners, whether residential, commercial or industrial, is receiving such favorable tax treatment. While railroad taxes have gone down from \$19,418,207 in 1936 to \$18,626,564 in 1956, total general property taxes have increased from \$237,681,665 in 1936 to \$579,827,000 in 1956, a rise of over 140%. In fact, in view of the present 50¢ dollar, railroads are actually paying far less taxes now than then.

2. Only railroads are favored by a statutory tax of \$1.20 per \$100 of assessed valuation. The figures are impressive. Of a total assessed valuation of railroad property in this State of \$478,929,106 for 1955, Classes I and III assessments totalled \$302,214,577, or approximately 63% of the total and all of this property is taxed at the rate of only \$1.20 per \$100 of assessed valuation. The total tax for 1955 on this tremendous valuation was only \$3,023,636. If subjected to the average State tax rate for 1955, such an assessed valuation would yield approximately \$22.8 million. Most property owners in this State would be very happy with a \$1.20 tax rate, even if their properties were assessed at full true value.

3. Railroads are partially protected by a maximum tax provision, something no other taxpayer enjoys. The maximum tax on the larger roads is \$4500 per mile and \$3000 per mile on the smaller roads. This provision alone is reducing railroad taxes approximately \$600,000 a year.

4. In 1956 the effective tax rate on railroad property was only \$3.947 per \$100 of assessed valuation, including franchise taxes. The average state rate of taxation at which all other property was taxed was \$7.888 per \$100 of assessed valuation.

5. The attempts of the railroads to establish inequitable tax treatment by reference to isolated sales of "ponds" and "rock piles" out of very large and very valuable terminal facilities are unrealistic. Actually the courts in the past two years have increased rather than decreased the Division of Taxation's assessed valuations on these waterfront terminals. The Greenville

Terminal of the Pennsylvania Railroad in Jersey City, out of which the 33 acre "rock pile" was sold, contained 420 acres of good waterfront property. This total acreage was assessed at a value of \$18,700 per acre as an average for the entire terminal.

6. So long as New Jersey remains predominantly a property tax state and railroads must own a large amount of real and personal property, they must expect to pay substantial property taxes unless there is to be greater State subsidy than at present. You are well aware of the fact that 70% of every State-Local Tax Dollar is raised for local, county and school purposes by direct ad valorem taxation. As the railroad spokesmen put it, New Jersey is the No. 1 railroad State of the country - more miles of track per square mile than in any other state. And a large amount of this property is located in metropolitan areas where land values and tax rates are high. While it is probably true that their properties are assessed more nearly according to true value than properties in other uses are assessed by local officials, nevertheless, they are afforded adequate remedies both by statutes and by the decisions of our courts if they are being discriminated against.

7. The allegation of the railroads that they pay \$1.67 in taxes for each \$1.00 earned in New Jersey is without foundation. There is no known method for the allocation of system earnings to specific segments of railroad property. The contribution of the tremendous terminal facilities along the Hudson River and New York Bay to the total earnings of the railroad systems operating in this State cannot be established, but it is certain that without them the railroads could not attract the huge volume of traffic which they now carry.

AKN:MR

Northern Valley Commuters Organization,  
174 Prospect Street,  
Leonia, N.J.  
Forrest K. Van Horn, Chairman

January 25, 1961.

Senator Frank S. Farley, Chairman,  
Senate Investigating Committee on Port Authority,  
c/o State Office Building,  
1100 Raymond Blvd.,  
Newark, N.J.

Dear Senator:

Having just heard to-day, at 4:00 P.M. of the hearing to be held on Thursday, January 26, 1961, in Newark, I find it completely impossible to make arrangements to be present in person to offer testimony in support of the views of our commuter organization on the responsibility of the Port of New York Authority as to mass rail transportation.


Our organization, at last count representing over 7,800 Erie-Lackawanna commuters, is unalterably opposed to any limitation of responsibility on the part of the Port Authority, in the discharge of its responsibility on mass rail transportation.

To purchase the Hudson & Manhattan without providing for continuation of rail service would result, in our opinion, in the loss of such moneys as may be expended by Port Authority for the purchase and rehabilitation of the Hudson & Manhattan. While the railroads are currently under contract with the State of New Jersey to provide service for the balance of a year's period, failure to provide any permanent solution to their problem could result in non-renewal of such contracts and the seeking of either partial or total abandonment on the part of the railroads. Without this revenue, which represents a major proportion of Hudson & Manhattan revenues, Hudson & Manhattan, under control of the Port Authority would simply be a losing proposition.

We strongly support the requirement that Port of New York Authority be required to live up to its original compact requiring that the Authority be responsible for solution to the entire problem of transportation in the metropolitan area, specifically including the railroads.

May I urge that this letter be accepted as supporting and concurring completely in the statement to be made by Mr. Thomas T. Taber, Chairman of the Morris County Railroad Transportation Assn.

Very truly yours,

  
Forrest K. Van Horn, chairman.

THE PORT OF NEW YORK AUTHORITY

111 EIGHTH AVENUE

NEW YORK 11, N. Y.

October 7, 1953.

Mr. David I. Mackie  
Chairman, Eastern Railroad Presidents' Conference  
113 Liberty Street  
New York 6, New York

Dear Mr. Mackie:

I have your letter of September 28 referring to your speech before the American Association of Port Authorities in Toronto on September 24. Your letter takes issue with comments made by me and by Mr. Hedden in reply thereto in the "New York Times" of September 25.

Mr. Hedden has asked for the privilege of providing you accurate factual material and will send you a separate letter on that subject. I will confine myself to your main thesis. We would be pleased, of course, if the "Eastern railroads should now stand ready to join hands with the Port Authority and all interested parties in the solution of these problems."

The main thesis of your talk in Toronto I think may be summed up as follows:-

1. The 1922 plan of port development concentrated heavily on freight belt lines, union inland stations, and other railroad facilities.
2. The Port Authority was responsible for the failure to effectuate these plans.
3. This failure has been a major factor in reducing the portion of the Port of New York's share of the nation's foreign trade, a reduction which you claim to be "an alarming 34%."

May I say that in all my experience as a Commissioner of The Port of New York Authority, which extends back 25 years, no activity has been pursued with more vigor than that of attempting to persuade the railroads to make use of the Port Authority's powers and credit to advance the plan of freight belt lines, union inland stations, and other rail facilities contemplated not only by the plan of 1922 but subsequent modifications. I must review briefly the record.

Agreement on 1922 Plan

Shortly after the Port Authority was created in 1921 and before the so-called comprehensive plan was adopted, eight months were devoted to conferences,

sometimes two or three times a week, to formulate an acceptable plan for improving freight handling facilities.

The Port Authority Commissioners and its staff, including General George W. Goethals, conferred with the presidents of the eleven railroads entering the District and with a subcommittee of their chief engineers in an endeavor to secure an agreement on projects to be undertaken as soon as economically practicable. At first the railroad executives made numerous individual reservations. Finally, at conferences held during the latter part of 1921 and the early part of 1922, our Commissioners and the railroad presidents reached practically unanimous agreement on a plan.

After other discussions with steamship, lighterage, warehousing, towing and shipper interests and with the municipal governing bodies in the Port District, the Port Authority recommended and the Legislatures finally adopted the 1922 plan, which consented to the general principles and a blueprint of particular projects.

### Belt Line No. 13

Almost immediately after the adoption of the bi-state legislation and in June 1922, the Port Authority proposed to the railroad executives a declaration of policy in regard to proposals for immediate unification and joint use of Belt Line No. 13 along the New Jersey shore, between Bayonne and Edgewater, one of the primary belt lines of the 1922 plan.

The conferences on this subject were later terminated abruptly by a letter from the presidents of the three companies most concerned with Belt Line No. 13, refusing to give further consideration to the matter. Thereupon, the Port Authority Commissioners placed the matter with the Interstate Commerce Commission in formal hearings. After these hearings the railroads advanced a compromise proposal for improving the facilities and service and simplifying the rates on Belt Line No. 13, but stopped short of providing a real belt line. This proposal was accepted by the Port Authority as an acceptable first step.

### Belt Line No. 1 - New York

In 1924 the Port Authority sought to bring into operation Belt Line No. 1 on the New York side of the port by informal conferences with the three railroads involved in improved connections between Bronx terminal yards and Long Island over the Hell Gate Bridge. Again, the railroads objected to the proposal and recourse to the I.C.C. was ineffective, except for an order that the route should be established in an emergency when the car float route from Long Island City to the New York Central terminals on the North River became inoperable on account of fog.

### Belt Line No. 1 - New Jersey

At the conclusion of the Belt Line No. 13 hearings, the railroad executives had agreed to undertake a joint study with the Port Authority for the construction of an interchange belt line on the westerly side of the Palisades to connect the classification yards of the northern group of railroads with the proposed cross bay tunnel. Plans and profiles were prepared and later revised in 1926 and 1927, but the project came to a standstill when the executives refused, at a conference on April 27, 1927, to appoint an operating committee to review the plans.

### The Cross Bay Union Freight Terminal

In addition to pressing for the integration of rail belt lines (Nos. 1 and 13) on both sides of the Port, the Port Authority on several occasions has attempted to make the cross harbor tunnel link for freight between Jersey City and Brooklyn a reality.

In 1932, in cooperation with the Brooklyn Chamber of Commerce, a study was made for a railroad tunnel estimated to cost \$56,700,000 and to yield operating savings of \$5,795,000 a year. This study was presented to the then chairman of the Eastern Railroad Presidents' Conference Committee and was the subject of public hearings by the Port Authority in September 1935. The principal railroad involved stated that the estimated traffic volume and savings were too high but offered to join in a new study. Subsequently, a new joint committee of three of the railroads and the Port Authority made another study, reporting in December, 1936. There was disagreement as to the amount of savings possible. The railroads agreed that there would be a saving of over a million dollars a year, or nearly 2% on the investment, but took the position that another \$833,000, which were costs apportioned to the marine service, to be replaced, could not be turned into actual savings. Furthermore, the traffic in the year 1935 was down 35% from the 1929 figure and the railroads took the conservative point of view of being unwilling to anticipate for a rebound in traffic for the possibility of drawing in additional traffic from other railroads that might be connected to the project by belt lines in the future. We have not been able to elicit any interest on the part of the railroads in exploring the matter further.

### Pooling of Harbor Equipment

Between 1923 and 1926 the Port Authority and the railroads jointly studied the railroad lighterage service to determine the performance and costs under the existing individual operations by each railroad of an aggregate of some 2,000 harbor craft. The Port Authority then proposed that something be done about reducing the cost by centralizing tug boat dispatching, by pooling harbor craft and by establishment of joint rail lighterage terminals. The estimates in support of the plan, which was worked out by practical railroad operation personnel loaned to the Port Authority, ran as high as \$2,220,000 per annum. The Port Authority put the plan before the railroad executives at a conference in 1927. The executives rejected the proposal.

A few years later in 1933 the Eastern Railroad Presidents' Conference Committee suddenly announced their decision to pool their equipment and completely unify the lighterage operations. Only the first step, central dispatching of tugs, was actually initiated under the watchful eye of the representative of the Federal Coordinator of Transportation.

The Port Authority presented to the representative of the Federal Coordinator, Mr. Joseph Eastman, the facts, figures and recommendations with respect to economies to be achieved by the coordination of lighterage of pier stations and inland freight stations, both in New York and New Jersey. The Coordinator's representative agreed and referred them to the Committee of Railroads, but nothing substantial came out of this effort. When the Office of Coordinator lapsed, the railroad executives stated that they expected to continue their cooperative study of economies to be achieved through terminal consolidation, but no substantial results were forthcoming.

## Union Inland Freight Stations

As early as 1925 the Port Authority prepared a plan for the establishment of union inland freight stations referred to in the comprehensive plan of 1922. The freight movements of 15,000 business concerns on Manhattan were analyzed and a plan drawn up to eliminate cross hauls of traffic and excess truck mileage with partially loaded trucks, by establishing nine union stations south of 59th Street.

The plan was placed before the railroad executives in 1927, but their spokesman replied that the railroads were satisfied with their current methods and that the establishment of these stations would not produce the benefits claimed.

Meanwhile, the subject came before the Interstate Commerce Commission in connection with hearings in Docket 19715, Constructive and Off-track Railroad Freight Stations on Manhattan Island.

As a result of the presentation of the Port Authority's plan and announcement on the part of the Port Authority that it would provide the first of these stations under contract to two or more railroads or any operator representing them, the Railroad Presidents' Conference Committee, on July 25, 1928, reversed the position of the year previous and appointed a sub-committee to study the subject.

Following the decision of the Interstate Commerce Commission in Docket 19715, which expressed the hope that the conference between the Port Authority and the railroads would result in establishment of union inland stations, the Railroad Presidents' Conference Committee in September 4, 1929, accepted a report made by its own sub-committee recommending a program of three union inland freight stations, one of which was to be built immediately. The report of the Presidents' Conference Sub-committee, known as the Roberts Report (Mr. J. W. Roberts, Vice President of the Pennsylvania Railroad being Chairman) estimated an annual saving of \$1,496,087, if these three stations were established in conjunction with a system of optional collection and delivery for carload freight which would permit the railroads to give up their pier stations.

On December 31, 1930, a contract was signed by eight railroad presidents and the Port Authority under which the Authority pledged itself to go forward with the financing and construction of the first union inland station, which cost originally about \$16,000,000. The specifications of the premises to be furnished to the railroads called for a total of 265,000 square feet, including 182 truck berths on the two levels accessible to the streets. This necessitated the purchase and use of approximately four acres of property in an area where property costs were \$22.00 per square foot. The carriers agreed to operate this station through a joint Board of Managers as a common platform for the receipt and delivery of l.c.l. freight on behalf of all the participating railroads.

The Port Authority agreed to make this space available on the basis of \$ .10 per ton of freight handled and in order to carry the real estate costs, planned and constructed fourteen additional building floors above the railroad premises as a transportation building to be served by freight elevators direct to the railroad premises.

The only reason for constructing the building was to provide the railroads with facilities adequate to take care of about 700,000 tons of railroad l.c.l. freight or one-third of all this type of freight then handled by the railroads south of 59th Street on Manhattan Island in accordance with the recommendations of the Railroad Presidents' sub-committee.

Furthermore, the Port Authority agreed to build and rent to the carriers, two or more additional stations to handle the balance of the Manhattan l.c.l. freight at acceptable sites, when desired by the carriers.

The new union freight terminal station was opened on October 3, 1932, under a joint board of managers representing the eight participating railroads.

In this union freight station venture with which I had much to do as Chairman of the Terminals Committee of The Port of New York Authority, our Commissioners hoped that we had entered into a new era of constructive and cooperative relationships with the railroads.

Unfortunately, the railroads never went forward with the remainder of the plan designed to accomplish the closing of the individual pier stations. In fact, it was only after years of argument and an order from the Interstate Commerce Commission that the union inland station was put on a parity with the individual pier stations for use by shippers.

The station has been a success in reducing street congestion. In October 1937, 13,000 shippers' trucks called at the union station with freight which was then consolidated into 1,834 railroad trailers making a net reduction of 13,000 trucks moving to the waterfront in one month. However, the railroads have never promoted the station or made full use of its potential. As a result, the station which in 1944 handled 126,547 tons of railroad l.c.l. freight is handling about 30% of that amount today. As a consequence of the failure of the railroads to make use of this exceedingly cheap space, (which costs the railroads less than 5¢ per square foot per annum) a portion of it, which was subleased by the railroads to the Railway Express Agency, has been recaptured by the Port Authority and directly leased to the Express Agency.

Nothing, however, would please our Commissioners more than to have the railroads concentrate their less carload operations through this terminal in order to reduce the peddling of shippers' freight around the city to scattered individual stations and the resulting street congestion. Despite the exceedingly low return which the Port Authority received on the platform space occupied by the railroads, it believes that this terminal should have been the nucleus for pressing forward with the bold plan suggested in 1930 by the Roberts Committee and we would rejoice to see such action.

#### Recent Efforts at Carrying Out Railroad Terminal Improvements

Despite the discouraging results of all these efforts to carry forward the plans for cross harbor rail connections, belt line integration and consolidation of terminals, the Port Authority has kept on trying.

In 1938 the Commissioners invited the railroads to engage in a "comprehensive joint canvass of the gains which could be made by unification of station operations in all sections of the port, consolidation of marine operations and waterfront yards, float bridges and lighterage piers and the substitution of all rail cross harbor operation and joint terminal trucking and marine operations where possible". The response again was negative.

Again in 1948 as part of its proposals to the City of New York for the rehabilitation and modernization of the New York City waterfront, The Port of New York Authority proposed the establishment of consolidated carfloat merchandise, freight station and one large joint produce receiving terminal. The Port Authority proposed to expend \$54,903,275 to create modern terminals for the railroads on Manhattan Island to replace the 32 piers which the railroads were renting from the City. It was estimated that this plan would save \$1,640,000 a year on non-perishable freight alone and release 820,000 square feet for steam-

ship pier improvements, in addition to solving the perennially difficult wholesale market problem.

At the hearings before the Board of Estimate, a representative of the railroads pulled the rug from under the plan by saying, "The railroads strongly believe that they can more efficiently and economically serve their patrons by retention of individual pier operations."

I have not attempted to recite all of the efforts of the Port Authority to find some way of carrying out the principles and projects which were agreed upon between the railroad presidents and the Port Authority and embodied in the bi-state legislation of 1922, to which you have referred. However, I think the recitation of the record can leave no doubt of the reason why we have not progressed further. It cannot be said that the fault lies in the principles or the projects. Not only did the railroad executives agree with the principles of the plan of 1922, but most of the specific projects have been drawn up by engineers or operating men from the railroads' own technical staff, and in several instances were specifically recommended by fact-finding sub-committees wholly or predominantly made up of railroad men. Moreover, the staff of Mr. Eastman, the Federal Coordinator which approved many of these projects and referred them to the railroads for detailed study, was largely composed of men borrowed from railroads. Our Commissioners naturally feel, therefore, that the reluctance of many railroads to join in any common effort has been at the root of the difficulty.

Do you wonder that more progress has been made in moving forward with airports, truck terminals, bus terminals, marine terminals and other facilities in which the carriers by air, road and water have been willing to join the Port Authority in cooperative ventures and promote them for their mutual benefit?

Now, as to the admonition which you offer to the Port Authority to start with a fresh approach and your statement that the eastern railroads stand ready to join hands with the Port Authority. Such sentiments strike a responsive chord in us if they can be translated into effective action.

As a matter of fact, within the past two months, members of our staff have been exploring with the presidents of certain New York lines measures to make more effective the joint interests of the port and the railroads in our program of developing marine terminals with direct rail switch connections at Newark and Hoboken. In the recent reports of our Executive Director, we had been heartened to know that contact on the common problems of railroad executives and the Port Authority had been reestablished and that frank and friendly discussions were in progress on specific and immediate issues relating to improved rail connections to piers.

At the termination of the last conference only two weeks ago it was agreed that an effort would be made to get more of the railroad presidents to consider with our staff the problem of the handling of merchandise freight to Manhattan, to see whether the high hopes of 1930, which resulted in the building of the first union inland station, could be carried forward to stem the gradual ebbing away of that program.

Perhaps, therefore, you can now understand why your sudden and unwarranted public attack on the Port Authority as being prejudiced against the railroads comes with such a shock to us. We hope sincerely that it will not effect the excellent relationships which we have been gradually reestablishing with the railroad executives in joint discussions of the problems I have mentioned and in the fine cooperation in attempting to protect and promote the commerce of the port. Ever since I served in 1950 - 1951 as Chairman of a committee to

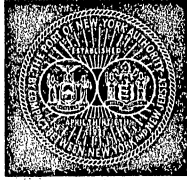
examine the rate disadvantages of the port and had the pleasure of cooperating with Messrs. Perry Shoemaker, Arthur Baylis and George Randall in preparing a report on this subject, which has since resulted in much affirmative action, I have had a high regard for the potential value of joint cooperation between us.

Therefore, may I say, in behalf of my fellow Commissioners, the Port Authority continues, as before, to be ready and willing to sit down and discuss with all of the railroads or any group of interested carriers such improvements in facilities for delivering freight by rail in the Port of New York which you consider suitable and appropriate. As I have noted, in recent weeks our staff has taken up in some informal meetings a number of problems which concern carriers which serve the new marine terminal developments at Newark and Hoboken. We propose further to go forward with invitations to all of the executives participating in the handling of merchandise freight to and from Manhattan for an examination of the problem of more effective use of the union inland station to stem the receding tide of the bold plan of 1930. Other projects were planned for discussion in the future. We propose to proceed with this program as already stated unless you have other suggestions on how to promote cooperation between the Port Authority and the railroads.

Cordially yours,

Howard S. Cullman  
Chairman

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## THE PORT OF NEW YORK AUTHORITY

*111 Eighth Avenue—at 15th Street New York 11 NY*

*A-4 1-26-61*

*Algonquin 5-1000*

### EXECUTIVE OFFICES

*Austin J. Tobin*  
EXECUTIVE DIRECTOR

February 10, 1959

Honorable Nelson A. Rockefeller,  
Governor of the State of New York  
Honorable Robert B. Meyner,  
Governor of the State of New Jersey  
Honorable Abraham Ribicoff,  
Governor of the State of Connecticut  
Honorable Robert F. Wagner  
Mayor of the City of New York

Gentlemen:

In response to Governor Rockefeller's letter of January 28, 1959, the Commissioners of The Port of New York Authority have asked me to present their views on the "commuter crisis in the New York Metropolitan Area" at your joint meeting of February 10th.

We should like to submit, as a part of this memorandum, the Statement by the Commissioners of the Port Authority before a joint hearing of two Committees of the New Jersey Assembly, on November 24, 1958. This statement is a complete summary of the views of the Commissioners on metropolitan transit, with particular reference to the New York-New Jersey interstate problem. The Commissioners' statement of November 24th includes our best judgment and views on the nature of the rail transit problem, the inevitability of transit deficits and the experiences of transit systems in other metropolitan areas throughout the country, as well as a summary of the results of thirty years of Port Authority study of the New York-New Jersey interstate rapid transit problem.

In response to Your Excellencies' specific request in connection with today's meeting, we respectfully present on behalf of the Commissioners of the Port Authority the following comments on the serious public problem you are now jointly considering. We would like to emphasize that the Port Authority's studies of the transit problem have been primarily related to its trans-Hudson or New York-New Jersey aspects. I believe, however, that what we have learned has a bearing on the commuter problems of the entire metropolitan area.

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Highway and Rail Facilities Are Essential to Metropolitan Area

One of the most important conclusions of the Commissioners in their November 24th Statement was that:

"We would also like to reaffirm our view that both rail and highway transportation are essential to the economic welfare of the New Jersey-New York Metropolitan region. It was for this reason that the Port Authority made available to the Metropolitan Rapid Transit Commission over \$800,000 to undertake its recent interstate transit survey. It was for this reason that the Port Authority has devoted its attention and study to the rail rapid transit problem for the past thirty years. We do not regard an arterial highway program as a substitute for a program of maintaining or improving rail passenger facilities between New Jersey and Manhattan and throughout the Port District. One program is not an alternative for the other."

There can be no question that both rail and highway transportation are essential to the economic welfare of the region. Thirty years ago, at a time when the pattern of commuter rail transportation was already well-developed, our State highway systems had just begun to evolve. In the years since then, much of the vast growth of residential, commercial and industrial developments within the region has been made possible by the availability of these State highways for auto, bus and truck service.

Although much of the essential commuter travel within the region now depends on highways rather than railroads, rail transit still has a vital role to play in the region's transportation system, particularly for commuters to the central core of the metropolitan area. Various measures can be taken to reduce the New Jersey-New York rail deficits by the consolidation and integration of certain services and by the abandonment of those rail services carrying small passenger volumes. At the same time, we are convinced that the main line railroad services are essential and must be maintained within the foreseeable future.

Commuter Rail Passenger Deficits Are Inevitable

Rail transit is, and inevitably will continue to be, a deficit operation. This fact is acknowledged by all who have studied the problem. The Port Authority has estimated, on the basis of stockholders' reports and analyses of sworn testimony of railroad officials before regulatory agencies, that the real deficits (as distinguished from I.C.C. System Accounts) for commuter railroads and transit operations in the metropolitan area amount to about \$150 million a year.

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The only rail transit services which are even approaching the break-even point on operating expenses are those which receive some form of public subsidy such as tax abatement (as in the case of the Long Island Rail Road) or the appropriation of capital funds and debt service payments from municipal tax revenues (as in the case of the New York City Transit Authority).

Some savings can be accomplished, as pointed out in recent studies, through the elimination of minor services, the consolidation of services, fare adjustments, and other means, but the fact remains that all such essential actions will probably lead only to some reductions in, and not in the elimination of, present deficits amounting to \$16 to \$20 million a year for the New Jersey commuter railroads alone.

#### Effect of New Highways on Rail Commutation

In New Jersey the State has under construction three new east-west freeways - Interstate Routes 80, 78 and the east-west Essex Freeway - which will traverse Bergen, Passaic, Essex, Morris, Union and Somerset Counties and connect them directly with the major business centers on either side of the Hudson River. Even though these Interstate and Defense Highways are needed for non-commutation purposes, they will as a parallel and unavoidable development, further decrease the need for and use of rail commutation. The present bus services in these northern New Jersey counties can and will be extended so that an increasing number of commuters will leave the rails for bus movement to New York City as well as for intrastate travel by bus and auto within the State of New Jersey.

With the completion over the next five to ten years of these three new interstate highways in New Jersey and other highway arterials now planned or under construction, it would seem prudent for the State to wait and assess the impact of such developments before committing substantial public capital funds to new rail facilities and services.

#### Extent of Action Required

All evidence indicates that the private rail carriers must receive some measure of public support to meet the increasingly heavy deficits which they incur in their passenger operations. At the same time it would seem prudent in any consideration of the transit problem to realize that many factors, some of which are mentioned above, indicate the desirability of a modest approach to the transit problem rather than any major plans for costly extension of rail tracks, new railroad terminals, extensive replacement of rolling stock and other equipment. Such an approach appears to be in conformance with your request here today for suggestions only of "immediate steps... to assure safe, efficient and economical commuter service."

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The basic problem and a realistic approach to its ultimate solution calls for maintaining essential services, rather than the creation, at tremendous cost, of an expanded rail transit system. The idea that by providing some brand new scheme for an "integrated" rail transit system, enough new riders will either be generated or brought back to the rails from some other form of transportation is utterly and demonstrably fallacious. On the contrary, in sharp contrast with the growth of the region, passenger traffic to and from the central core of the area is decreasing, and most of the non-rail travel which now takes place within the region is between points which are not, and can never be, served efficiently by rail. The creation of new or far-flung rail transit systems cannot be justified by traffic demand. The new riders they might attract could not possibly support the capital cost of such improvements, much less cancel out present deficits. This leads inevitably to the conclusion that realistic efforts to solve the rail commuter problem should be directed primarily at preserving those services which are essential.

#### Railroads Should Achieve Economies and Efficiencies in Freight Operations

Before any public financial relief is provided for the commuter railroads, it would seem reasonable to require that all possible means should be taken by the railroads themselves to achieve maximum economies and efficiency in their freight operations, in and around the Port of New York. For example, serious consideration should be given to the feasibility of joint usage of terminal and other freight facilities, a consolidation of tracks and other services, the adoption of reciprocal switching operations and the establishment of rates and services which will attract more rail traffic and business activity in the Port of New York.

Throughout the thirty-eight years of its existence, the Port Authority has made studies of the possibilities of such joint or consolidated rail freight services in the Port District and made continuing efforts to persuade the railroads to adopt such measures. These efforts were extensively reviewed by Professor Erwin Bard in his book "The Port of New York Authority" (Columbia University Press, 1942), and were the subject of comment in the 1956 study, "Public Authorities Under New York State." In the latter report the Temporary State Commission on Coordination of State Activities noted that:

"The Port Authority was directed to formulate a comprehensive plan for port development. This plan, which was adopted by the two states in 1922, emphasized reorganization of the railroad terminal system in the Port area. In its early years the Port Authority concentrated its efforts on this project. Frustrated in these efforts by many factors, including opposition to any disturbance of the existing competitive terminal system, the authority made little progress."

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On numerous occasions the Port Authority has reviewed its studies with the railroads and has sought, without success, to have the railroads utilize or adopt some of these operating efficiencies and economies. It would seem reasonable for the States of New York and New Jersey to insist on an earnest re-examination of these possibilities -- actually recommended thirty-seven years ago by the two States in the "Comprehensive Plan For the Development of the Port of New York" -- as a condition to the subsidization of commuter rail travel.

Along the same lines, the Pennsylvania Railroad comes with little grace to the States for a commuter subsidy, while it continues, against the best interests of the people of the Port District, to make every effort to divert import-export freight from New York to its competitor ports. This hostility of the Pennsylvania Railroad to the Port of New York has been evidenced in the past in its opposition to the Port's fight to achieve equality on export grain and import iron ore freight rates. It has been even further intensified in the past two years, in their open leadership of the attack before the ICC against the efforts of the other New York railroads to seek equalization of the inland rail rates on all import-export freight. Despite all the efforts of the Port Authority and the State and City of New York, the Pennsylvania Railroad continues to fight to maintain the archaic differential rate system which favors Baltimore and Philadelphia and discriminates against the Port of New York.

#### Trans-Hudson Commuters Depend on Both Rail and Bus

Any consideration of the commuter problem must recognize that mass transit today involves the use of both rail and bus. This can be best illustrated by the New York-New Jersey interstate passenger movement across the Hudson River. During the morning peak hours, approximately 128,000 persons from New Jersey cross the Hudson River destined for the central business area of Manhattan. Of this number, about 72,000 enter Manhattan by rail or rail ferry, about 43,000 by bus and the remainder of 13,000 by private automobile. It is clearly evident that buses provide essential and self-supporting commuter services for a substantial portion of New Jersey residents, particularly in the northeastern sector of the State which is directly served by the Lincoln Tunnel and the George Washington Bridge. It is also significant that only 10 per cent of the commuters from New Jersey to the central business area of Manhattan (south of 59th Street) use the automobile. Many of these, such as salesmen, professional people and others cannot use rail or bus in any event.

Port Authority Facilities Serve Mass Transit

In the Port Authority's planning of interstate vehicular facilities, we have assumed that the major rail services will continue to operate. However, the fact remains that there will continue to be an increasing demand for bus services to and from the expanding New Jersey suburban areas.

At the present time, The Port Authority Bus Terminal in midtown Manhattan is handling about 140,000 daily bus passengers to and from New Jersey suburban points. When the terminal was constructed it was designed so that additional capacity could be provided as demand requires. Its utility was further increased by the Port Authority's development, at the suggestion and with the active assistance of Governor Meyner, of a most successful "park-ride" service, consisting of a 1200-car parking lot at the New Jersey exit of the Lincoln Tunnel combined with a shuttle bus service to the midtown Bus Terminal. With the completion of the Third Tube, the capacity of the Lincoln Tunnel which directly serves the Bus Terminal was increased by 50 per cent in 1957.

In addition, construction is now under way on the expansion of the George Washington Bridge, by the addition of a second deck, which will increase its capacity from 8 to 14 lanes. On the reconstructed Manhattan plaza of the bridge another new Bus Terminal is under construction. When completed it is expected to accommodate the 50,000 daily passengers to and from New Jersey -- and from Rockland and Orange Counties -- who presently use the buses over the George Washington Bridge. There will be direct connections between the new Bus Terminal and the City subways.

As part of the George Washington Bridge program, a new trans-Manhattan Expressway is also under construction which will link the George Washington Bridge with the Cross-Bronx Expressway. The new Bergen Freeway and other State highway improvements in Bergen County will also provide improved access to and from Manhattan and the new Bus Terminal. In New Jersey, the Port Authority is working with the Borough of Fort Lee to provide a parking lot for 500 cars, adjacent to the expanded Bridge plaza, which will be available to commuters by auto who can transfer to buses at that point. All of these facilities will be completed about 1962.

New Transit Agency Vitrally Needed

Of critical importance in meeting the commuter problem is the immediate creation of a new State rail transit agency or agencies which can take formal and prompt action. At the present time there is no agency with official powers to negotiate with the railroads, local governments and others affected in developing the means by which any solution can be implemented. Such an agency could be established on a multi-state basis, or a separate transit agency could be established within each State since the commuter problems within each of the three States have elements which are basically different

one from another. If separate agencies are established they would have specific powers to participate in joint study and action in instances (such as connections with the New York City subway) where the transit problem does involve overlapping facilities. Any necessary interstate (New York-New Jersey and New York-Connecticut) plans for such joint facility or joint policy can be met in orderly fashion by joint agreements.

In considering whether or not the proper form for such an agency is to be tri-state, bi-state, or a separate agency in each State, the Governors and the Legislatures may ultimately reach the conclusion that the commuter problems within each of the three States are separate and individual problems physically, financially, and politically. They may consider these commuter troubles as involving totally different corporate problems and quite different problems of priority in each of the States. The railroads bringing commuters into New York, from New Jersey, Long Island, Westchester and Connecticut have a common denominator only at Grand Central, Pennsylvania and the Hudson Terminals where their passengers transfer to the New York City subway system. The subway system available to the commuters at these transfer points is operated by the City of New York at an annual subsidy deficit of about \$120 million. It has been pointed out that, other than their common dependence on the continued operation of the City subway, there is no joint or overlapping problems whatsoever between, say, the Long Island Rail Road on the one hand, and the Jersey Central on the other.

Despite the vast amount of study and discussion devoted to the commuter crisis in recent years, there are several current problems to which a new State rail transit agency must give immediate and careful consideration. The present nature and magnitude of rail commutation deficits; the actual need today for maintaining specific rail lines; the future pattern of commuter traffic in the light of federal and state highway programs; the benefits, local, county and state, that depend on the continuance of rail transit; - these and other basic problems must be examined so that decisions will have a real basis in today's facts and tomorrow's probabilities.

This will lead to a realistic determination of the future role of railroad commuter transportation, including decision as to which services must be maintained, how much service each should provide, and what physical improvements are essential to help maintain necessary rail services. Possible reductions in operating costs and feasible increases, or even reductions, in fares should be balanced against each other and related to current deficits to establish the probable deficits to be expected from the individual rail services. The total estimated deficit of all essential rail services in each State should then be possible of definition.

Finally, a program of meeting those deficits to provide for the continuation of essential rail commutation services will have to be developed in each State based on a careful analysis of the relatively limited possibilities available for this purpose. Obviously, this is the toughest part of the problem. Obviously also, it presents totally different political problems in each of the States. Witness the completely different methods which have been used in meeting New York City's subway deficits, in meeting the Long Island Rail Road's deficits or those of the Staten Island Rapid Transit Railway, and the methods which are being explored for meeting the commuter deficits in New Jersey and Connecticut.

#### The Fallacy of Transportation "Integration"

The suggestion has been made that the rail crisis can be solved only by the "integration" of all forms of transit and transportation within the region. The Port Authority's Statement of November 24th demonstrates (pages 27 to 30) that the concept of combining responsibility for rail rapid transit with responsibility for other forms of transportation - what has been recently and popularly termed as "integration" of transportation - cannot stand analysis. The idea that the pooling of all revenues from railroad, automobile and bus passengers would free the entire commuter transportation system from the need of subsidy is palpably false.

The theory of "integrating" commuter transport has its basis in an incorrect assumption that there is an interchangeability among all forms of regional transportation. In the New Jersey-New York Metropolitan area, however, the fact is that much of the bus transit serves areas not served by rail; much auto commutation is between points not served by mass transit; and much rail transit can never be replaced by vehicular transportation because of the impossibility of providing highway and parking capacity in congested areas.

Aside from these basic fallacies of the transit "integration" idea, we suggest that the forces which have shaped our regional transportation system are too complex to lend themselves to the absolute controls of some regional supergovernment. The administration of such a program would be quite impossible under any standards of political reality.

#### The Port Authority Cannot Undertake Transit Responsibilities

It has been suggested from time to time that the Port Authority should be the agency charged with financial responsibility for rail transit in the metropolitan area, or at least with its trans-Hudson phase. In their recent Statement to the New Jersey Assembly, the Commissioners of the Port Authority dealt with this subject at length (pages 1 to 11), and

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submitted in conclusion that:

- "(1) It is legally, financially and contractually impossible for the Port Authority to assume the railroads' increasingly heavy deficits from all or part of commuter operations, or the cost of developing a new and comprehensive interstate rail rapid transit system;" and that
- "(2) Even if it were legally and contractually possible, very quickly the assumption of rail transit deficits by the Port Authority, the self-supporting agency of the two States, would cripple and destroy the Authority's credit. It would thereby bring to a halt the program now being carried out by the Port Authority on behalf of the two States for the continued development of their essential public marine and inland terminal facilities, airports and interstate arterial systems."

Within the framework adopted by the two States in the Port Treaty of 1921, the Port Authority has developed a system of essential public transportation and terminal facilities in the bi-state New York-New Jersey Port District. The projects which make up this system have all been planned, constructed and operated within the completely self-supporting requirement of the two States, and without recourse to any funds derived from the taxing power or the credit of either State or of any of its political subdivisions.

Under this program six interstate bridges and tunnels between New York and New Jersey, the four major metropolitan airports and a heliport, four inland terminals (for buses, truck and railroad freight) and a \$125 million system of modern docks and piers on both the New York and New Jersey sides of the harbor have all been provided and function as essential elements in the public transportation and terminal system of the region.

Under present contractual commitments, the Port Authority will, during the next five years, build other essential facilities and additions to existing facilities including the second level of the George Washington Bridge and the Washington Heights Bus Passenger Facility, the Narrows Bridge, the Brooklyn-Port Authority Piers, the Elizabeth-Port Authority Piers, the completion of New York International Airport, and the complete modernization of La Guardia Airport. This program, which will require the Authority to borrow over \$700 million of capital funds in the next five years, is based on express authorizations of the Legislatures and Governors of both New York and New Jersey. All these projects and facilities, like the facilities already in operation, will be self-supporting and can be financed only on such a basis. It has been overwhelmingly demonstrated that rail transit is not and can never be in this category.

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The Port Authority has, therefore, been obliged to state unequivocally that it cannot assume any financial responsibility for rail passenger transportation in the Port District. We have also noted that, even if it were legally and contractually possible, the assumption of the large and ever-increasing deficits of rail commutation would quickly destroy the Port Authority's credit and bring to a halt the entire present and future program of port and regional development which it is carrying forward on behalf of the two States. It is an ironic fact that the assumption of rail passenger deficits would not only destroy the Authority's vital programs of self-supporting transportation and terminal facilities, but would also destroy the Port Authority's ability to finance rail transit itself.

Port Authority Assistance in Solving the Problem

Even though it is thus impossible for the Port Authority to participate financially in any degree to the solution of the rail commutation problem, the Authority, for many years, has assisted in the study of the problem and in the search for a solution. We stand ready today, as always, to assist in any way possible in the search for solutions to the mass transit problem in either its trans-Hudson aspect or in its over-all relation to the region as a whole.

Respectfully submitted,



Austin J. Tobin  
Executive Director

Resolved that the Newark Economic Development Committee strongly supports the plan of the New Jersey State Highway Department Division of Railroad Transportation to have the State Legislature authorize the Port of New York Authority to assume major development responsibilities of the Hudson and Manhattan Railroad.

Ross Nichols, Chairman of the Subcommittee on Transportation, is authorized to appear for the Newark Economic Development Committee at public hearings on these proposals.

## Notes on the Port Authority and the Airports.

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The Port Authority has done spectacular work in the procurement of structural engineering. The time has now come to give more thought to public convenience and necessity, including the needs of those people who have to live near airports.

When Teterboro was started the airplane was little more than a mechanical kite. But as the planes became larger and faster, and better suited for passenger service, Teterboro became outmoded for this work and La Guardia field replaced it. But still the planes got larger and faster and La Guardia began to lose to Idlewild. And the same evolution still goes on.

Luckily there is no need to locate airports in or ~~near~~ near residential areas. But what is meant by "near". For pedestrians we may assume, say, five city blocks; for autos, fifty city blocks; and for 500 mile an hour jet planes it would be about fifty miles. It is not a matter of distance but of time, and all that affects it. Indeed, an average trip takes no longer from a downtown office in Detroit and right into the plane at Willow Run (thirty miles away) than from a downtown office in Manhattan and into the plane at Idlewild. Therefore the airport problem is not one of finding residential areas which will accept them. It is a problem of swift and easy passage from the commercial and transit centers. At Boston, for instance, the airport adjoins a subway.

Suppose we accept this criterion. Then La Guardia, if usable at all, would be best for short haul traffic, where time into town is precious. Idlewild would be better for inter city traffic where connecting time is less decisive. And Shangri La, or wherever the next airport is to be, would serve for ~~XXX~~ transoceanic traffic and long non stop transcontinental; especially with helicopter linking or if fifty miles of turnpike can replace ten miles of suburban streets. After all, what is fifty miles on a trip to Rome or Calcutta?

If the traffic could be sorted out in some such way much more than at present it would be safer. There is no limit to the size of any airport that the Port Authority can construct, but there is a very sharp limit to what the air lanes above it can accept. Planes cannot land all over the map. They are restricted to what is almost a pinpoint. That pinpoint comprises the ends of the landing strips. All the landing traffic has to be funnelled into this tiny area. Every boast of the Port Authority about the terrific number of planes coming in daily is an avowal of unfitness.

The speed of the plane is ever increasing but the reaction time of the pilot remains the same. If the plane goes five times as fast it needs five times as much space, laterally, vertically and forward. At 120 miles an hour it moves 176 feet a second. And we have to allow not only for reaction time, when the man is already fatigued by a long and often nerve racking journey, but also for wind, haze, fog and for mechanical failure and human error. So that the bigger and faster the plane the more elbow room it needs, the fewer the planes it can accept and the smaller the airport can be. The magalomaniac structures characteristic of the Port Authority are not the best for safety and efficiency.

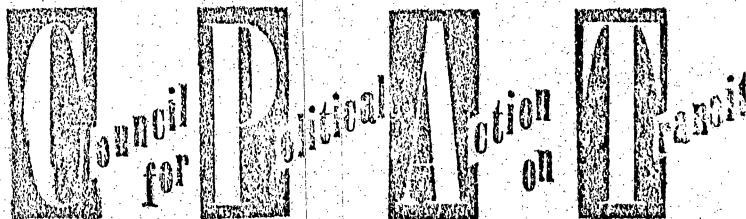
As with landing so also with takeoff, where most accidents occur. It should not be at the edge of a swamp, and out of reach if trouble arises, but beside ground where emergency equipment can go directly, rapidly and surely, and heavy equipment at that. When the Mexican plane burned at Idlewild it was so hot that the firemen could not get within sixty feet. They would do better with shielded tank wagons of say, 6,000 gallons Foamite capacity (perhaps with caterpillar traction) on a 24 hour alert at every point of hazard.

A modern plane is a large ship with a combustible cargo. Fire and aid equipment should be proportionate. There are precious lives to save; valuable equipment to salvage; and records of vital necessity to preserve. But the Port Authority does not provide equipment to measure up to the task as it has now become. They leave \$100,000 lying idle without interest at a bank where their chairman is an officer. And only a space of seconds saves a hundred people from the fate of those who perished in Brooklyn.

By all means let us have hotels and chromium and marble and ultra modernistic architecture and all the ballyhoo. But let us first have all that is possible for operating efficiency and safety. We do not want the public scared away from a great industry, which has every right to take its place in the world of to-day without getting a bad name because other people cannot or will not keep up.

The Port Authority had had plenty of warning, even on its own limited territory. There had been crashing at La Guardia, due apparently to poor lighting. There was the disaster at Elizabeth. We do not need to blame the Port Authority for the birds or for the latest crash until the facts are known. But this much is well known: that for every disaster there are many narrow escapes, and we have had enough of it.

But we have no remedy. The Port Authority is more than a law unto itself; more than a state within a state. It is a state above a state. But no man is perfect. None is right all the time. Any agency that is not under effective control tends to deteriorate. We spend our billions to save ourselves from political dictatorship but we have been fooled into accepting, or at least enduring this bureaucratic dictatorship. Hitler and Goebels said that if only you tell a big enough lie people will believe it. But it has got to be big. And the Port Authority spends a million a year on what it calls "public relations". This does not include the "patronage" or whatever dirty name you like to give it.



*Lucy Smith*

Secretary

## Notes on the Port Authority and the Citizen

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The work of the Port Authority is supposed to be of great benefit to the public, and some of it undoubtedly is. They tell us all about it. What they do not tell us is how their activities make things worse. But in the balance that is what has happened, and we propose to examine one or two of their activities to illustrate this point. It is completely beyond our present resources and capacity to tell the whole story in detail.

We have been unable to discover what exactly is the policy and purpose of the Port Authority at this time. It has inspired so many amendments to its Compact. It was handed the rail problem, for which it was never qualified, and which even the rail tycoons tell us is insoluble except by money for jam. Neither the Port Authority nor the rail managements wanted each other, so the Authority did all it could elsewhere.

Their tunnels and bridge took away nearly all the trade of the ferries. Little except the commuter traffic was left; and this, of course, was not enough to pay. When they lost money the railroads met the competition in their usual way, by worse service for more money. Then they lost more. More and more people were driven to the bridge and tunnels, and these had to be enlarged. And the rails lost more, and more facilities are being provided. It will not be long before the rails lose so much money that only the government can sustain them. If it will.

But even the government cannot provide alternative transportation. The ~~XXXXXXXX~~ approaches to the enlarged facilities are already jammed. There is no place to put more approaches. And even if there were there is already no place to park the vehicles that have already been attracted. The street congestion causes industries to move away. Hours of time are lost in deliveries every day. More business is lost because of bad service. Jobs and taxes both disappear. The police cannot control the traffic congestion because it originates beyond their limits. So what began as a rail problem has become two problems, an incomparably worse rail service and incomparably worse street congestion. And we also have incomparably worse transit.

The railroad plus ferry gave almost complete weather protection. The bus passenger has to wait while five or six overcrowded buses pass him by. When he is thoroughly chilled or wet he gets on the bus and stands, not every day or all the way, but far more than enough for the frail and weak on top of a day's work, day after day and every day. The bus ventilation, which is sometimes flattered as "air conditioning", torments without ventilating, and the lighting is ~~XXXXX~~ often insufficient for reading or anything more than merely existing. This is what the Port Authority tells us is the transit of the future.

At least, it is no good in the present. The commuter from exurbia drops out and uses his car. In some towns the new housing developments are becoming populated by people already in the state, because commuting to town has ceased to be practicable. But we already have their money in the state. What we want is commuter money from outside. And that is what the Port Authority go to great lengths to drive away.

If it did the damage only to exurbia it might not matter. But not all the exurbanites can use car pools. The others have to crowd on to the buses. By the time the bus reaches the inner suburbs it is already filled, and the short haul riders have to stand, where once upon a time they had seats. Even if there were enough buses, and enough terminal facilities, both adequately comfortable, we are still left with the problems of exposure to weather, unreliable service and bad terminal location.

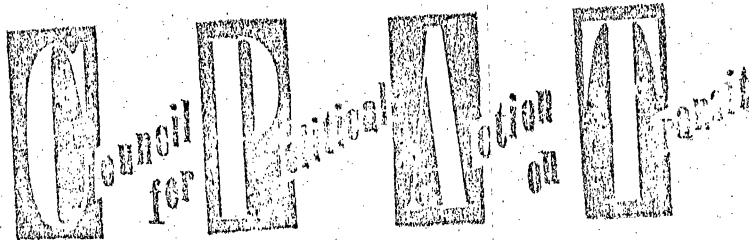
For the Port Authority facilities do not land you at your work. They take you to the subway. And the very thing that has driven the people out to the suburbs, more than any other, is the inhuman rush hour conditions on the subway. That is why the Port Authority espouses only subway types of service for New Jersey. It will keep the commuters in their autos at fifty cents a wallop for the Port Authority.

There is no proper provision even for bus traffic. Of the four floors at the midtown terminal only one, and part of another, are used for loading buses. Nor are the passengers loaded directly to train or local bus. They are steered to a central point, where opposing traffic is converged to create the maximum of obstruction. The five escalators have not been enough. Breakdowns have been constant. So now they are doubling the ~~existing~~ loading capacity, and for double the traffic they give us three more escalators.

Long queues of passengers have to wait in line, in what is really the open air, in killing winds which lower resistance of the body but do not afford real ventilation. You cannot ventilate the open air any more than you can air condition an open space. And 2,000 buses a day belch poison fumes to be breathed by 50,000 passengers; a cumulative poisoning going on day after day, week after week. The damage to nervous and physical health is beyond calculation.

In blizzards or other breakdowns the crowds pile up at the terminals thousands strong. If at such a time there were a bomb scare, or a bad fire or electrical explosion, it could very well set off a panic. It would be far worse than the Coconut Grove at Boston. It would be a massacre. The Port Authority are well aware of this. And they do nothing. Except to double the capacity and the size of the crowds and to repeat the conditions at their projected terminal uptown. Meanwhile the scandal, like their bus terminal, stinks to the sky.

We can give only a few highlights on the way the Port Authority affects the life of the ordinary citizen. If we, also, had a million dollars a year to tell our story, what a story it would be.



*Evelyn Smith*

Secretary

