

PUBLIC HEARING

before

SENATE TRANSPORTATION AND COMMUNICATIONS COMMITTEE

on

SENATE BILL 3137

(New Jersey Transit Corporation)

Held:

May 17, 1979

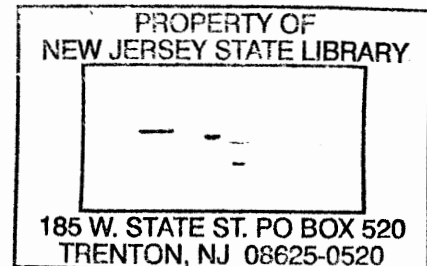
Port Authority Bus Terminal
New York, New York

MEMBERS OF COMMITTEE PRESENT:

Senator John M. Skevin (Chairman)
Senator Francis X. Herbert
Senator S. Thomas Gagliano

ALSO:

Joseph P. Capalbo, Research Associate
Office of Legislative Services
Aide, Senate Transportation and Communications Committee



* * * *

I N D E X

	<u>Page</u>
Emil Porfido Mayor Borough of Ramsey	3
Michael Ferrari President Simpson and Curtin Transportation Engineers	6
Jack Sadow Chairman Central New Jersey Transportation Board	14a
Vivienne Li President League For Conservation Legislation	19
Peter Koelsch Matawan Borough	21
Louis J. O'Brien, Jr. Freehold Borough Parking and Traffic Control Committee and Secretary, Central New Jersey Transportation Board	23
John C. Kuhnen Utility Co-Workers Association	25
Thomas J. Rodgers Commuter Sayreville, New Jersey	29
Arnold E. Decof Commuter Pompton Lakes, New Jersey	30
James Le Fante President Hudson County Independent Bus Owners Association	32

(Index - continued)

	<u>Page</u>
Lothar Wagner Owner Wagner's Tours Bus Lines	34
Martin Specter Director of Commuter Affairs Marlboro Township and Vice Chairman, Central New Jersey Transportation Board	35
Benjamin Bendit Attorney-at-Law	38
Salvatore Giarratano West New York, New Jersey	41
Murray Dryer	44

ALSO SUBMITTED:

Statement from Martin B. Brilliant The Committee for a Better Environment, Inc.	lx
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SENATOR JOHN M. SKEVIN (Chairman): Good afternoon, ladies and gentlemen. My name is Senator John Skevin. I am Chairman of the Senate Transportation and Communications Committee. We are meeting for our third public hearing at the Port Authority facilities on the proposed legislation sponsored by Senator Herbert to take over the bus system in New Jersey. This is an historic occasion, because, to my knowledge, it is the first time that we have had a public hearing on New Jersey legislation outside the State of New Jersey. This legislation also involves a second historic occasion, because we have asked the Commissioner of Labor, since this is an important bill, to provide us with an economic impact statement which will be the first statement and the first request made pursuant to that statute.

With me today, seated to my right, is Senator Herbert, and to his right is Senator Gagliano. As Chairman of the Committee, I would like to take this opportunity for an opening statement.

We are here today to demonstrate our concern for the commuter. I realize by coming to the Port Authority Bus Terminal in New York City we can do little more than acknowledge our sympathy for the plight of those harried individuals who spend eight hours of every day at their jobs and two or more hours of every day fighting their way to and from that job. All those in New Jersey who are dependent upon bus transportation should be foremost in our considerations. The issue involved in the proposed State takeover of bus transportation in New Jersey is whether or not the State can operate the system more efficiently than private management. We must determine whether or not the proposed legislation is a step in that direction or a step toward more mismanagement.

I would like to hear the views of the commuters on the status of bus transportation to and from New York City, and their suggestions as to how they believe it may be improved. I would also like to hear from the other people in New Jersey on this question of such far-reaching impact. What is being advanced here is the idea of a State takeover of a privately managed system. It is more than a matter of money, although that is a vital concern. It also involves a philosophy of government and the direction in which our State intends to move. I am one of those who feels he was elected to represent his constituents, not to do their thinking for them. On a major issue such as this, I believe the entire electorate should be asked for its opinion, and questions of such public concern should be submitted to the public in the form of a referendum.

I am sure that many will believe this issue is too complicated to be understood by the people. Today, however, I look forward to some expert testimony from some of those who know best, those who use the buses.

Senator Herbert, do you have any further statement or comment to make?

SENATOR HERBERT: I do, Senator Skevin, with your permission. First of all, as the sponsor of the bill, it is an honor to participate in the first public hearing outside the State.

I am an educator by profession, and I think the public has to be educated as to the reasons why this bill has been introduced. The ten-year history of the State bus subsidy program is a case of a limited and temporary expedient being applied to an increasingly complex and long-term problem. The fact is that virtually no one defends the present system. For most bus lines, the notion of a private free market is fiction. Operating losses are picked up by the State, and capital improvements, including new buses, are nearly 100%

financed by the taxpayers. In reality, the State already serves as the party responsible for the buses. both those who ride the buses and the taxpayers who help support them look to the state government for accountability about service and cost. Yet, under the ten-year subsidy program the state in fact fails today to respond to public complaints and needs. The systems are financially supported by a different group of officials from those private managers who actually run the line. Thus, it seems no one is accountable for what happens, and this to me is an unacceptable arrangement.

Elsewhere, in other states, the response to these circumstances has been the creation of a public agency with direct responsibility for bus transportation. The public agency has selected qualified managers, either public or private, who are fully accountable for assuring that bus services support important public goals. Rather than patch up the present system which isn't working, the time has come for New Jersey to take this action. The recommendation for a public corporation is the recognition of present realities about the bus business in our State. The arrangement would place operational management responsibilities in the same agency that now has fiscal responsibilities. This would be a return to sound business principles that apply to either private or public sector services. It offers the commuters of New Jersey the best chance for an improved and efficient bus system.

We are here today to listen to commuters, to their complaints, to their suggestions, and to their views on the future of the bus system in New Jersey. Thank you, Senator Skevin, for this opportunity.

SENATOR SKEVIN: Senator Gagliano.

SENATOR GAGLIANO: Thank you very much, Mr. Chairman. Ladies and gentlemen, I first of all want to send my thanks to the Port Authority of New York and New Jersey. They furnished me and members of my staff with a tour of this building and the new facility which is under construction. I can only say that I see a lot more work to be done, and I do hope that they can move that work along, because obviously there will be a lot more inconveniences to those who use this building over the next two-year period than there already have been.

I think all of us who are in the Legislature of New Jersey acknowledge the problems of the traveling public and the person who has to get to work by traveling on public transit. I am here to listen. I am here to find out what you want and how you want us to react.

I recognize, and I think we all recognize, that other than the cost of education which we know has skyrocketed, we might be facing one of the most expensive projects in a takeover of the public transit system for the State of New Jersey that has ever been faced. The issue is whether or not we should do that knowing that it will be costly, knowing that it will be difficult, knowing that it will change things extensively from the standpoint of who will actually operate the facility. That decision will have to be made by the Legislators within the next couple of weeks, at least, in the New Jersey Senate.

There are people, and I know we will hear from them today, who have said they are concerned about the State's ability, through the Department of Transportation, to do the job. This is a concern of mine, and one of the reasons I am here to listen.

There is another thought that I have had going through my mind, and that is, that basically if we must have a bill to submit to the entire Senate

and the Assembly, and then to the Governor, it has to be the best bill we can put together. I have already made several suggestions with respect to amendments, and I am not going to be hesitant about suggesting additional amendments based upon what we hear at this hearing, and what we hear in future hearings.

I think all of us recognize that once the decision is made, there is no turning back. There is no way we will be able to find a buyer for the public transit system of New Jersey if we find that we are not happy about operating it ourselves. So, with that in mind, Mr. Chairman, I hope I didn't take too long. Let's hear from the witnesses.

SENATOR SKEVIN: Thank you, Senator. Our first witness will be Mayor Emil Porfido.

E M I L P O R F I D O: Senator Skevin, and members of the Committee, first of all, may I commend you and your Committee for conducting these hearings at the Port Authority Bus Terminal, and may I especially commend you, Senator Herbert for leaving a hospital bed to be here today. I trust you are in good health and you remain that way.

SENATOR SKEVIN: Senator Herbert is in good health. I was the one that was in the hospital.

MR. PORFIDO: I am sorry. I meant you, Senator. For the record, my name is Emil Porfido, Mayor of the Borough of Ramsey and Chairman of the Bergen County Transportation Coordinating Committee.

On May 4th of this year, the Transportation Coordinating Committee voted overwhelmingly to endorse the creation of the New Jersey Public Transportation Corporation as proposed by Commissioner Gambaccini. After two meetings and more than three hours of discussion on the issue, the TCC voted seventeen for, one against, and one abstention. I wish to explain why Bergen County believes so overwhelmingly that S-3137 must be enacted.

Efficient and reliable bus service is essential to Bergen County, perhaps more so than to any other county in the State. 35,000 residents of Bergen County depend daily on bus service for getting to work, and now with a worsening petroleum and gasoline crunch, the people of Bergen County like the people of all of New Jersey are going to need even better, more reliable, and expanded bus service.

But under the system we have today, bus service has deteriorated, not improved, while its costs to the public have skyrocketed.

The members of the Senate Transportation Committee have all heard the arguments of the Department of Transportation about how bad service has become during the last ten years. But even more importantly, I am sure that they have heard the widespread dissatisfaction of their own constituents with current service.

In Bergen County, we are afflicted with the same situation that other counties have. We have one or two good private operators, in particular Shortline run by Hudson Transit Company and Red and Tan run by Rockland Coaches. But many other areas of Bergen County suffer bus service which is unreliable, uncomfortable, or just inconvenient.

And Bergen County suffers the same lack of a coordinated system that other counties have. We have many different bus routes provided by various different private companies. Many of these routes cross over one another without the public being able to transfer easily from one line to the other. And despite

all the routes going through Bergen County, it is often impossible to find bus service from one part of the county to another, without having to go into New York first and then travel back. Many times bus companies are forced to travel through a town "closed door" because another company owns the right to provide the local service.

With all the bus routes that run through Bergen County, these lines must be better coordinated. Under the proposed Public Transportation Corporation, these routes can be coordinated and rationalized so that both service into New York and service within the county can be improved.

Any "adjustments" in the current subsidy system just won't be enough. Under an incentive system, if service provided by a particular bus company is still unsatisfactory, the Department of Transportation will still have no means of bringing in more efficient management. The public will just end up paying more for poor service without any hope of having service improved.

In the same way, an incentive system won't provide any means for coordinating service and for developing a decent transfer system.

On the other hand, S-3137 will create a corporation which will have the power to change management companies if the existing ones are found not to be operating to the public's satisfaction. The corporation will also have the power to order changes in routes and timetables when needed. Under the current morass of a system, such changes are virtually impossible to get done. Under S-3137, local and county officials will have greater hope that any recommendations for adjustments in service will actually be implemented on a timely basis.

The Bergen County Transportation Coordinating Committee recognizes that the public does not want any unnecessary expansion of government. Therefore, we were pleased to see that extensive analysis have demonstrated that costs under the system that S-3137 would create would not be higher, and in fact would be lower than under a continuation of the current system. The three states in which a system like that proposed by NJDOT has been used - Maryland, Connecticut, and Rhode Island - have all experienced costs lower than or equal to those experienced by Transport of New Jersey.

We are also pleased to see that the Department of Transportation plans to have private management companies bid on a competitive basis for contracts to operate the bus service which will be owned by the corporation. This legislation gives the corporation the authority to choose and therefore to award the best management companies. This system of using private management companies under the control of a New Jersey Public Transportation Corporation will give the public the best of both worlds: Public control over the expenditure of public money, but also all the efficiencies of private management and competition.

The Bergen County Transportation Coordinating Committee does urge the new corporation not to take away the operating rights of private companies to operate charter service unless absolutely necessary and that the pension and compensation rights of the employees of the private companies be treated fairly upon takeover. Along these lines, we have also voted to urge the Department of Transportation to complete its master plan before the close of the year. We are confident, however, that these matters will be handled properly and equitably by the Department of Transportation and the new corporation.

For all these reasons, as Chairman of the Bergen County Transportation Coordinating Committee, I wish to extend our strong and unqualified endorsement of S-3137. We are proud of the leadership that our county's legislators have

of S-3137. We are proud of the leadership that our county's legislators have shown on this issue. Thank you.

SENATOR SKEVIN: Thank you very much, Mayor. I am glad to see that you are well on the way to recovery. If you could just bear with us, we may have a question or two.

I am not going to ask you if you are a commuter, Mayor, because I know that you are in Ramsey and you have a business in that area, and I am sure you don't use the bus to New York. But, I would like to know if you have any knowledge of the eighteen members of your committee, how many commute and use the buses from New Jersey to New York.

MAYOR PORFIDO: I don't have the knowledge of whether or not they commute to New York regularly. I do say that our committee is representative of most of the communities in Bergen County. The representation of our Committee is made up primarily of mayors or their representatives, and they are the influential body that recommends to the freeholders the actions necessary in areas of transportation.

SENATOR SKEVIN: Okay, so to the best of your knowledge, you have no information as to whether any of them are commuters.

MAYOR PORFIDO: They represent all the---

SENATOR SKEVIN: They represent people, but you don't know if they are commuters themselves; is that correct.

MAYOR PORFIDO: That is correct. But, we do have commuters.

SENATOR SKEVIN: I know we have a lot of commuters here.

MAYOR PORFIDO: Are you asking me whether commuters communicate with me? Yes, they do very, very often.

SENATOR SKEVIN: I am sure they do. You are a good mayor. Mayor, I noticed that you mentioned the three states that are using this public transportation system. However, by omission, and I don't know whether it is deliberate or not, New York State was not mentioned at all. Of course, as you know, New York State has probably the largest public transportation.

Now, is that omission advertent or inadvertent? And, would you be here to advocate that our system be adopted like the New York system?

MAYOR PORFIDO: No, I am pretty clear. I think the system should follow the lines of the three states that I mentioned.

SENATOR SKEVIN: Right, and you followed exactly the New York Times editorial, because in their support of the New Jersey system, they mentioned these three states, and they glaringly omitted the public transportation system in their own state, New York, which I presume they don't advocate.

MAYOR PORFIDO: I see a big difference between New Jersey and New York. I have a lot of experience with the legislature in New Jersey, and I am sure of one thing, we can get things done in New Jersey a lot more to the benefit of the people than ---

SENATOR SKEVIN: And we can create a better system than they have in New York, and you are not one to advocate a system like they have here in New York.

SENATOR GAGLIANO: Mr. Chairman, we are in New York, and I would like to take it easy on New York. I thought we were here to listen.

SENATOR SKEVIN: We are here to listen, and we also have immunity. I have no further questions. Senator Herbert.

SENATOR HERBERT: Mayor Porfido, I know you as a fiscal conservative, and

very frankly, I am quite surprised, and yet I am pleased that you have come out in strong support of the bill I am sponsoring.

I am concerned, and I guess everybody is, about the fiscal impact upon the taxpayers of this bill. The present subsidy program, as you know, is providing \$50 million with no accountability, and we are looking forward to \$73 million next year - again, with no accountability to the public. Do you look upon this bill as an improvement, even if the costs - despite what you say - are higher to the taxpayer?

MAYOR PORFIDO: Absolutely. That is the main reason we have taken this position. Most of the time that we spent considering this bill was in concern with that particular part of the situation. There is no question about it. My statement refers to the accountability factor as being the big problem. Just to throw more money into a system that is not working is not the answer. We have to get control of the management of those systems and by being in the position of controlling those managements and being able to change the management when it is proven that they are not operating properly is the key to the success of this legislation.

SENATOR HERBERT: Thank you. I have no further questions.

SENATOR SKEVIN: Senator Gagliano.

SENATOR GAGLIANO: Mayor, on page four you make the following statement in the first paragraph, and I quote, "Therefore we were pleased to see that extensive analysis has demonstrated that costs under the system that S-3137 would create would not be higher, and in fact would be lower than under continuation of the current system." Can you refer me to that analysis?

MAYOR PORFIDO: Yes. The analysis was provided by Commissioner Gambaccini's office at the hearing that we had, and they had prepared substantial data accompnied by charts, that I am sure can be made available to your Committee, if you don't already have it, because it made it clear to us that this was what was being done in neighboring states. I will be glad to supply you with that.

SENATOR GAGLIANO: I have seen that analysis. I wondered if there was another one. Thank you.

SENATOR SKEVIN: Thank you very much, Mayor. The next witness is Michael Ferrari. Do you have a prepared statement?

M I C H A E L F E R R A R I: My understanding was that I was here to provide you with some information about the work that we had done. I am the President of Simpson and Curtin Transportation Engineers. Three years ago, we were retained by the State of New Jersey to prepare and improve the incentive subsidy formula system. My understanding was that I was here to provide you with information about the results of that work and the viability of the system that we developed.

SENATOR SKEVIN: If you could present us with the highlights of that, we would appreciate that, Mr. Ferrari.

MR. FERRARI: Basically, the program we have developed, the DOT retained us to examine the existing method of paying subsidies to the various properties, and see if we could develop a more rational program that would eliminate many of the inequities and pitfalls of the present system, and put the payment schedules on more rational and fixed cost type of basis.

Essentially what was developed out of the program was a system whereby the properties that were in the subsidy program would be reimbursed on a formula basis, which would be the amount that the properties should be accumulating in costs,

not what they were actually accumulating in costs. And, this formula basically related to the amount of service that was being purchased by the State. It was based on the number of miles operated per vehicle, the number of hours operated, and the number of vehicles in service. The idea was that once those figures were fixed, the escalation would not be what the properties actually experienced in escalation, whether in driver's wages or whatever, but would be indexed against standard Bureau of Labor Statistics Index, and the Consumer Price Index, such that the State would in effect be removed from the day-to-day operations, and for instance, wage agreements for the various companies, and property would be free to negotiate his own wage agreement, but would do so with the understanding that the increase in costs would be restrained to whatever the index permitted, which gave the property a freer reign at internally managing his business, and also gave the State a very direct control on precisely what was paid out.

Further, with the standard cost, it would eliminate many of the requirements for auditing, because in effect you would be giving the property a fixed amount, and if he could operate more efficiently than that fixed amount, it was to his benefit, and if he operated less than efficiently, it was to his detriment.

Another aspect of the program was to build in a small amount of subsidy under an incentive program, to give him some reward for providing service over and above just routine service. And, the basic elements of that involved on-time performance of the buses, cleanliness of the vehicles, courtesy and skills of the drivers, which would be checked by the State supervisors.

SENATOR SKEVIN: This was a form of incentive under the subsidy program, and controls; is that what you are saying?

MR. FERRARI: Yes, there would be controls set aside of the total amount, that would be available for incentives for good performers. By the same token, there would be penalties for poor performers. So that they would get a fixed amount, plus or minus, depending upon whether they were performing well or performing poorly.

SENATOR SKEVIN: Well, were any of these proposals put into effect?

MR. FERRARI: No, they were not. I am not sure I fully understand why not. We delivered our report in December of 1976. It was accepted by the DOT. The program was carried a step further with two individuals who worked out an implementation schedule for precisely what forms would be used, when it would be processed, and which quarterly information would be used, and to my understanding, there is a package and a program in place today that could be implemented, if the State so chose.

I don't fully know why the proposal never went forward beyond that stage.

SENATOR SKEVIN: Could you tell us how much it cost for you to prepare your proposals to save the State?

MR. FERRARI: Our contract for that particular assignment was approximately \$120,000.

SENATOR SKEVIN: And that proposal was never implemented?

MR. FERRARI: No.

SENATOR SKEVIN: And to the best of your knowledge, that proposal is presently in the hands of the Commissioner of Transportation?

MR. FERRARI: I don't know that the Commissioner in particular has it, but DOT has copies of our report.

SENATOR SKEVIN: And if there is an intermediate step between what we have now, and a complete takeover, it is your understanding that the proposal you made would be a proper implementation for that immediate step.

MR. FERRARI: Well, we believed the program we developed would be a rational way of proportioning funds to carriers within the State of New Jersey, and we feel it would be a workable program. It is not unlike, for instance, the program that the Pennsylvania DOT has in place today. They have a slightly different situation. They are allocating funds to public transit authorities, but, nonetheless, they are allocating state funds to transit agencies, and they work under a formula arrangement whereby the \$88 million, which is this year's appropriation for transit from the State, which is two-thirds of the operating deficit after subtracting out the Federal assistance to the carriers, is doled out on a formula wherein the carrier submits his actual costs, and these costs are then reduced on the basis of the Bureau of Labor Statistics and Consumer Price Index to what they call a constrained cost. In other words, if your costs went up 12% and the Index went up 8%, the only number they will accept as a number is 8% and not 12%. And, then they subtract the revenue from that to get the deficit. The revenue is likewise constrained. This year it would be 45% of costs. So, if you were at 35% of the cost, you would miss out on a portion of their funds.

They go through that formula and then allocate their funds on that basis. And, they also have an incentive program in their program for good performance.

SENATOR SKEVIN: Do you have any knowledge or information that any rules and regulations have been implemented by the Department on the present subsidy program?

MR. FERRARI: Not to my knowledge, no.

SENATOR GAGLIANO: With respect to incentives.

MR. FERRARI: Not that I know of.

SENATOR SKEVIN: None at all. Have you covered everything?

MR. FERRARI: That is a brief summary of the work that was done.

SENATOR SKEVIN: Senator Herbert.

SENATOR HERBERT: Mr. Ferrari, you strongly recommend incentive programs. Why should we pay incentives for things like on-time service, courteous bus drivers, and clean buses? Shouldn't the public expect that as a matter of course?

MR. FERRARI: Yes, they should. But, unfortunately, I think you will find with transit pretty much around the country, and I have worked with fifty or sixty systems, that is not always the case. So, it is an area of service quality that means a little extra incentive to get people to really do it.

SENATOR HERBERT: Presently, the State is suing TNJ because "we" -meaning the State - feel as though they have misrepresented the figures on senior citizen half-fare bus service; that in fact they have overcharged the State. Now, this is one area where the incentive program I think is relevant. How do you measure incentives? How do you measure when a bus is on time, for example? How do you really measure the courtesy of a bus driver?

You know, these are intangible areas of subjective evaluation, it seems to me, leading to eventually more suits.

MR. FERRARI: I don't believe so, Senator. Many systems have service standards where they have definite techniques for measuring on-time

performance, and our program did include such definite techniques. The first area of that is to define what is on-time performance. A standard definition in the industry is that if a bus is zero minutes early - you don't even allow one minute early, because being early is worse than being late; if the bus gets there before you, that is not too good - and in the area of approximately five minutes late. So, to be on-time, a bus would have to be between that zero minutes early, and five minute late window.

SENATOR HERBERT: How do you measure that. In my experience, commuters have been among the most docile, extremely cooperative, and take almost everything, the weather, lack of service, discourtesy, and if there are delays, they take this without complaints. I mean, how do you measure these things without a real input from the public?

MR. FERRARI: We don't like to rely on the public's input, because, as you say, they will suffer a lot of abuse before they will complain about things like on-time performance.

Our proposal required that the bus inspectors who are currently within the DOT on a sampling basis actually make the checks when they are making load checks and doing other things. Where they would measure on a random sampling basis, route by route, and on prescribed time points, the on-time performance of those carriers, we would not leave it up to the public, nor would we leave it up to the carrier to make his own checks. The inspectors would be on the program of doing that in conjunction with some of their other routine duties.

SENATOR HERBERT: The inspectors would be salaried by the State.

MR. FERRARI: Right.

SENATOR HERBERT: I have just been handed this report which you signed, which is dated October 29, 1976, from System Design Concepts, Incorporated in Washington, D. C. And, just reading the executive summary here, you recommended back less than two and a half years ago a public transportation agency, in other words, a takeover of the process, and in your report you stated that it actually would cost less money than the present subsidy program. I don't know if you recommended incentives. I have not read the whole report, but it seems to me that at least back in 1976 you believed that the concept embodied in S-3137 ---

MR. FERRARI: Our thoughts on that matter were - and I think if you read the report, you will see the sequence - that at that point in time, 1976, that an incentive subsidy formula program should be put in place. Now, we envisioned that there would be certain carriers that would be unable to exist under that kind of a program, because they would be getting a fixed cost, and if they were not efficient enough to operate under that fixed cost, then obviously they would be short dollars to operate, and would not be able to remain in existence.

As a safeguard against that, we suggested that the PTA, or whatever the initials are for that agency, be empowered in those instances to be able to purchase and either operate or contract out to operate those carriers which wouldn't make it under any of the programs available.

SENATOR HERBERT: That is exactly what my bill does.

MR. FERRARI: Well, that is exactly what we said in that report. The incentive subsidy program at a fixed cost is a good way to go, and should be a way to go if in the future there are fellows who can't exist under that kind of system then the State should have the ability to decide what to do with those carriers, either permit them to go out of business, or take them over, or transfer them to another property.

SENATOR SKEVIN: Senator Herbert, do you have an extra copy of that report?

SENATOR HERBERT: I just have this one. It came out of the blue right now.

SENATOR SKEVIN: Could you tell me where the report came from?

SENATOR HERBERT: From the Department of Transportation. Among the recommendations - and I am reading through it rather quickly - in addition to the creation of the New Jersey Public Transit Agency, you state in your report, that you would provide the Public Transportation Agency under legislation with all the powers, duties and responsibilities necessary to regulate private carriers. So, I imagine within the parameters of your testimony that would include incentive payments.

MR. FERRARI: Yes.

SENATOR HERBERT: At the end of your initial report, page 12, you recommend eliminating the existing subsidy program for bus carriers and provide a new standard cost based subsidy program for whatever limited bus subsidy arrangements that might be necessary on an interim basis.

MR. FERRARI: That is precisely the program I have been talking about.

SENATOR HERBERT: Right.

MR. FERRARI: Let me point out something. I am not here speaking for or against the bill. I was just providing information on the work we had done on the standard cost for the use of the Committee.

SENATOR HERBERT: Right. I have no further questions. Thank you so much for coming. I appreciate it.

SENATOR GAGLIANO: Mr. Ferrari, you have no position on the bill itself?

MR. FERRARI: I do not. I have not read the bill.

SENATOR GAGLIANO: Based upon your background, if the corporation, board of directors or the board of trustees, whatever, consisted of five members, and three of those members were members of the Governor's Cabinet and two of those members were representatives of the public, so to speak, would you think that was the optimum way of going with respect to the operation of that board?

MR. FERRARI: I am not sure in my experience that there are any rules of thumb you could use as to the best kind of board. As you probably know, board composition varies all over the United States. Some are elected, and some are appointed, and some are public officials, and some are businessmen. There doesn't seem to be any model which suggests that one set or kind of people are the best kind to manage this form of corporation.

SENATOR GAGLIANO: On this specific case, we have the Commissioner of Transportation, State Treasurer, and one other member of the Executive Branch, which could be the Commissioner for the Department of Labor and Industry, for example, and then two so-called public members. Do you think we could improve on that by thinking about it at all?

I am not talking about individuals. I am talking about from whence those individuals come.

MR. FERRARI: I guess I wouldn't have an opinion on a way to improve on that. I think in terms of size, it is a workable board. There are some systems that have boards upwards of twenty-five members, which becomes very difficult to achieve anything for anybody, whether public or private.

Five to seven is a reasonable kind of a number for a board, I think.

SENATOR GAGLIANO: Are there any boards that have as members of the board persons who are, for example, commuters from a particular mode of transportation?

MR. FERRARI: There are some boards that have members from the public at large which represent commuters. In some cases they are part of a commuter group, or elected by some neighborhood agency. But there are boards in the U. S. that have a so-called public member who is either a commuter, or represents them.

SENATOR GAGLIANO: Based upon your experience, can you give us what you would consider to be the best type of set up for a board? Can you give us an example of a State that you think has the best set up?

MR. FERRARI: I can only generalize.

SENATOR GAGLIANO: I want you to be specific.

MR. FERRARI: It requires a generalization to be specific. I don't know that there is a model for the best type of board. In many cases, it is a result of what public policies are set for that board to carry out in terms of how they run their operation. And, also in their particular mind-sets, in terms of whether they have service expansion as a major goal or fiscal responsibility as a major goal. That varies throughout the country.

SENATOR GAGLIANO: Thank you.

SENATOR SKEVIN: Mr. Ferrari, are you familiar with the cost factors involved in a takeover by the State of the bus transportation system? It is covered in this report. Are you familiar with it?

MR. FERRARI: I am familiar with the wage and costs of the operators who are under the subsidy program at the time we did the report, yes.

SENATOR SKEVIN: Are you familiar with the Governor's Blue Ribbon Commission on budget priorities which originally came out in December or January, which did not recommend a takeover of the bus system. Are you familiar with that recommendation?

MR. FERRARI: Yes.

SENATOR SKEVIN: Okay, and are you familiar with the Esposito Commission, which was Chaired by the former Chairman of the Assembly Transportation Committee, and their recommendations for a subsidy incentive program, rather than a takeover, and that also was composed of a Blue Ribbon Commission chosen by the Governor.

MR. FERRARI: Yes.

SENATOR SKEVIN: Are you familiar with Commissioner Gambaccini's cost projection of approximately \$25 million or less to take over the present system which is based upon the book value of assets of the bus companies, rather than the fair market value of the bus company; are you familiar with that?

MR. FERRARI: I have seen them.

SENATOR SKEVIN: Would you say that figure is realistic in light of a fiscal note which was prepared by the Office of Fiscal Affairs ten years ago for a bill sponsored by the then Assemblyman John Horn, for a similar takeover where the fiscal note for the fair market value was approximately \$132 million?

MR. FERRARI: I think I have seen that.

SENATOR SKEVIN: All right, would you, in your opinion, feel that Commissioner Gambaccini's figure on book value is realistic?

MR. FERRARI: I can't comment specifically on his figures. But, I can tell you, having been involved in a number of bus takeovers, that the courts have in fact ruled that the fair market value, however you define that, is the acceptable means for valuing a property in the transition. Further, the courts have also

indicated that there is growing concern value involved in a transit system which has nothing to do with whether or not that system is making any money. Again, I can't say \$25 million is a wrong number, except that if it is based on book, then the courts have ruled otherwise in many other instances.

SENATOR SKEVIN: If that figure was based on book value, it is an incorrect figure; is that correct, Mr. Ferrari?

MR. FERRARI: I would think so, yes.

SENATOR SKEVIN: I heard your answer, and I understand it. But, I would like you to repeat it very slowly again.

MR. FERRARI: I think the sense of my answer was that in many other cases, the courts have ruled that reproduction costs, more or less, depreciation is a reasonable way to value the assets of a transit property. And, further, there are assets that can be categorized as growing concern value which have no bearing at all on whether or not the particular property happens to be making money.

SENATOR SKEVIN: And, yet, the court is familiar that Commissioner Gambaccini's projection of \$25 million or less does not include that pension costs for takeover of the bus system.

MR. FERRARI: I don't know that it does.

SENATOR SKEVIN: If I told you that, would you believe me?

MR. FERRARI: I would believe you.

SENATOR SKEVIN: Thank you. I have no further questions.

SENATOR HERBERT: Summing that up, in your own report on page V-19, you have approximate cost of acquisition, which seems to be well within Commissioner Gambaccini's projections.

MR. FERRARI: I believe if you read the words that go with that, it specifically says that that is not the kind of number you would use in a takeover per se.

SENATOR HERBERT: You have, approximate cost of acquisition, doesn't that say acquisition?

MR. FERRARI: I think if you read the words, though---

SENATOR HERBERT: I am reading what the words say.

MR. FERRARI: --- in the text, not on the table itself, that is qualified.

SENATOR HERBERT: Well, you are talking about the physical assets of all, not just TNJ, all subsidized bus carriers.

MR. FERRARI: Physical assets are not intangible assets.

SENATOR HERBERT: Well, what would be intangible assets, as such, that the State would have to pay for?

MR. FERRARI: Well, the courts have defined this, such things as taking over drivers. There is a cost of training a driver. That is an asset which you are acquiring. Taking over routes and schedules is another area that the courts have defined. That is an area whereby there is a cost for developing that kind of system which the taker is in fact getting as an asset. There are many things.

SENATOR HERBERT: The bottom line that I read here, "Of the probable State and local funding which is required for the takeover, of all subsidized bus carriers, you estimated in your report of less than three years ago, to be \$8.4 million to \$11 million, and that is even below Commissioner Gambaccini.

MR. FERRARI: That is the State share ---

SENATOR HERBERT: That is exactly the way we plan to go under my bill.

MR. FERRARI: I think if you will read the words that go with that table, you will see they are heavily qualified.

SENATOR HERBERT: Would you please qualify them for my edification since I haven't read them?

MR. FERRARI: Well, I have not read the report for three years, but I do remember that we did in fact put words in there that would qualify those numbers.

On page V-20, next to the last paragraph, where it says, physical assets, "the courts have generally held that such intangible or growing concern assets as certificates of public convenience and necessity, operating schedules, established systems and procedures and records also have monetary value."

Also, "We have prepared an approximation of the cost of public acquisition of physical assets of unprofitable bus carriers under DOT. This estimate is based on carrier information reported to the PUC. More detailed inventories and financial data on the present subsidized carriers developed in the course of our study is also included. The estimate represents a reasonable judgement on the facts available, but cannot be taken as appraised values or recommendation as to prices to be offered. The value of these assets in acquisition would be determined in negotiations between the parties."

SENATOR HERBERT: Also, you skipped over a sentence on V-20. "On this basis, it appears that the State's share of total acquisition costs would not be appreciably higher if it were forced to pay for any tangible assets." So, it seems to me that what you are talking about doesn't mean a heck of a lot more from the projections which you have already said are far below Commissioner Gambaccini's estimate.

MR. FERRARI: I think all of what is in that section is qualified right up front by the statement you just read about what these numbers are and what they can be used for.

SENATOR HERBERT: I just have one final question, are you presently employed by TNJ?

MR. FERRARI: Yes.

SENATOR HERBERT: Maybe you should say that even louder.

MR. FERRARI: Retained is the appropriate word.

SENATOR HERBERT: TNJ is paying you a salary.

MR. FERRARI: Yes, as the State knows, we are doing a management study of TNJ. We have reported some of that information to the State.

SENATOR HERBERT: Thanks very much.

SENATOR SKEVIN: The report wasn't paid for by TNJ; that was paid for by the State of New Jersey, isn't that correct?

MR. FERRARI: What we are doing now is a management study.

SENATOR SKEVIN: I am talking about this report.

MR. FERRARI: This report is for the State of New Jersey.

SENATOR GAGLIANO: Right now you are retained by the TNJ.

MR. FERRARI: Yes, I am doing a management analysis of TNJ.

SENATOR GAGLIANO: Were you requested to come here by representatives of TNJ?

MR. FERRARI: No, I was not.

SENATOR GAGLIANO: Is it strictly voluntary? Are you being paid to be here today?

MR. FERRARI: No.

SENATOR GAGLIANO: Thank you. Let me ask you a question, but I am not

sure you can answer this one. We have been delving into the cost factor here. Are you familiar with any other bus companies the size and scope of Transport of New Jersey that were taken over by a public entity within the last five years?

MR. FERRARI: I would say not of this scope. Statewide, there is really not a counterpart to TNJ.

SENATOR GAGLIANO: Then, percentagewise a bus company similarly situation, do you know of any that was taken over in the last five years by a public entity such as the State?

MR. FERRARI: Not of the 1500 bus size in a statewide system.

SENATOR GAGLIANO: Do you have one which is the size of about 1000?

MR. FERRARI: I don't think there is comparability, based just on buses.

SENATOR GAGLIANO: Well, I am looking for comparables. For example, if we wanted to establish value, we would first try to find comparables. Do you know of any comparables that we can talk about?

MR. FERRARI: Comparables are not the means for establishing the value of a system. We don't, for instance, when we do an appraisal of any bus system in the United States, use a comparable value. It is always based on a detailed inventory of their assets, and a reproduction cost, more or less a depreciation method of valuating those assets.

SENATOR GAGLIANO: Have you, within the past two years, done such a study of Transport of New Jersey?

MR. FERRARI: Not for Transport of New Jersey.

SENATOR GAGLIANO: Have you done one?

MR. FERRARI: We have done some evaluation work of the TNJ---

SENATOR GAGLIANO: For Transport of New Jersey or of Transport of New Jersey?

MR. FERRARI: Of Transport of New Jersey.

SENATOR GAGLIANO: Did you come up with any values with respect to the total company?

MR. FERRARI: No, not yet.

SENATOR GAGLIANO: You are working on it now.

MR. FERRARI: Yes.

SENATOR GAGLIANO: And, by whom are you retained to work on that now?

MR. FERRARI: Public Service Electric and Gas Company.

SENATOR GAGLIANO: When were you retained?

MR. FERRARI: A couple of months ago.

SENATOR GAGLIANO: I have no other questions.

SENATOR SKEVIN: Mr. Ferrari, are you in a position to evaluate the fair market value of TNJ?

MR. FERRARI: No, I am not.

SENATOR SKEVIN: Would you say that the fair market value is \$25 million?

MR. FERRARI: I have no information on that at all.

SENATOR SKEVIN: Thank you. Mr. Jack Sadow, Chairman of the Central New Jersey Transportation.

SENATOR GAGLIANO: Mr. Chairman, I just want to interject that Mr. Sadow is a constituent of mine, and I am very pleased to see him here. I want to welcome him.

SENATOR SKEVIN: Well, I extend a welcome, and I want to tell Mr. Sadow

that he is fortunate to have such a tremendous and terrific representative in Senator Gagliano. He certainly represents your area well, and he is a fine legislator.

SENATOR GAGLIANO: Thank you.

J A C K S A D O W: Senator Skevin, Senator Herbert, Senator Gagliano, first, I would like to take this opportunity to thank you all for giving us the opportunity to express our views regarding this takeover.

I am a commuter. I have been commuting through this building for over twenty years. The Central New Jersey Transportation Board, of which I am currently Chairman, was forced to organize because the State organization or agencies, specifically with the Department of Transportation and the COA, in our opinion failed to provide us the necessary support that commuters are entitled to. And, on that basis, municipalities organized, and the municipalities joined together to form this board. Our board consists of appointed representatives from Lakewood, Jackson, Howell, Freehold Township, Freehold Borough, Manalapan, and Marlboro. In addition to that, we are the spokesmen for over 8,000 commuters from Middlesex, Monmouth and Ocean Counties. Those commuters extend from Toms River to Sayreville.

The official comments that I would like to make on behalf of the Board is a very, very brief comment, and then after that, I would like an opportunity to express my own personal comments.

The official comment that I would like to make on behalf of the Central New Jersey Transportation Board is that at this time we cannot endorse Senate Bill 3137 as it is currently written. That, again, is a very brief, official statement from our Board.

I would like to now make my own comments, if I may, gentlemen. For years now we have been disenchanted with the performance and the insensitivity of the Commuter Operating Agency. Our first concern with the proposed bill is, no where in the bill can we see any safeguards or any insured responsiveness to the commuter. How do we know that the proposed corporation will be any more responsive to the commuter than the COA and the DOT? How can we look favorably on the proposed bills when the DOT actually flaunts the COA. Currently, the COA, as you gentlemen know, has petitioned to the ICC - docket number 37157 - for having the final authority in the State of New Jersey on fare increases and scheduling. Our Board currently has a hearing in progress with the ICC because our own State Commuter Operating Agency refused to grant bus commuters an opportunity to have a hearing. How can we favorably look upon a proposed bill without safeguards for the commuter?

My second comment is, with the exception of the Commissioner of Transportation, and the State Treasurer, no current or past member of the COA, now or in the future, should run for or be a consultant for the proposed New Jersey Corporation. Again, based on our experience with members of the COA, it would be a calling for the commuters to find out that a State Corporation has been passed, effectively put into operation, and to find the same people who are insensitive to the needs of the commuter, work or serve on that corporation.

Number three, my recommendation is that the Commissioner and the State Treasurer be the only ex-officio members of the Board; that in addition to those two, five public members be appointed by the Governor, and as a prerequisite that the appointees by the Governor be commuters and should have been commuting by either rail or bus for at least five years. The commuters are sick and tired

of having people represent them who have never been on a bus or who do not commute by rail. We are entitled to have someone on the Board who can speak as a commuter.

We feel that five members of the Board shall constitute a quorum. Another, point, the proposed regional citizens advisory committee, the appointees to these regional committees - again, a prerequisite would have to be that they be commuters currently using mass transit facilities. The members of the Advisory Committee should be appointed in the same ratio as exists between train and bus commuters in that specific region. Again, we insist that those people who are going to advise the board speak from experience, not from hearsay, not when it is appropriate, but be themselves commuters who can provide input, that is sound, but not just hearsay.

My last point that I would like to go over, I am using as reference, January 10, publicity release for a bus subsidy program which was given out by the Department of Transportation. The State claims that it can affect economy and avoid duplication and overhead expenses such as management, accounting, purchasing, payroll and other general administrative functions by carrier takeover. The State also feels they can properly maintain state owned buses, leased to over 129 carriers by this takeover. I would like to refer to another publicity release given out by the Department of Transportation. This is on the New Jersey Public Transit Corporation. I am quoting from it, "The largest private carrier that is subsidized compares favorably to large publicly owned systems around the country." That is substantially inferior in terms of ridership. In all the documentation that I have read provided by the DOT, the one point that I have out of all of them is that the ridership has declined 41%, and on that basis, the State wants to take over the largest bus carrier in the State of New Jersey.

I believe we all realize, if we have been reading, that to increase ridership, you have to increase the number of routes. And, we all know that the Commuter Operating Agency is responsible for scheduling and route changes. Gentlemen, would the COA today grant to it a new route that would lose money? I seriously doubt that very much?

Can we therefore place the responsibility for the decrease in ridership completely on the carriers? I propose one alternative, that the bill be re-written to give the New Jersey Transit Corporation the authority to require carriers with the exception of TNJ, after a period of approximately eighteen months, let the Committee on Transportation and Communications review and evaluate the effectiveness and efficiency and responsiveness of the State Corporation with the 15% to 20% of the bus commuters they will then be handling.

Compare the operation with TNJ, and at that time determine if the State corporation should continue, could it prove conclusively that it could operate more efficiently than TNJ, and if so, that as a second phase, let it then acquire TNJ. Basically then what I am saying, and I have said this, and the organization I represent has said over and over again to the DOT, don't tell us, we heard it before. What we say is, show the commuter what we can do to improve commuting conditions. Senator, that is the extent of my comments.

SENATOR SKEVIN: Well, we appreciate that, Mr. Sadow. As I understand what you said, it is the fact that TNJ as a private company compares favorably in terms of service to public companies; isn't that correct, sir?

MR. SADOW: That's correct.

SENATOR SKEVIN: And that is verified by the Department's own statistics

and the Department's own public relations statement that they have issued; isn't that correct, sir?

MR. SADOW: That is exactly why I am quoting it.

SENATOR SKEVIN: Also, the oft repeated statement that there has been a decrease of 41% in ridership in New Jersey is a misleading and perhaps a poor statement, because that fact is based upon decreased service, and as we know, as service decreases, so does ridership decrease.

MR. SADOW: Senator Skevin, I think we all realize that when you have a reduction in ridership there are many factors that play into it. First of all, the major part of the reduction in ridership has been in what is referred to as the inner city. When industry moves out of the city, and into the suburban areas, and that is what is what has been happening in the State, the employer must go to where that employment is going to be.

SENATOR SKEVIN: And correspondingly, if we increase the service, we would increase the ridership; isn't that correct, Mr. Sadow?

MR. SADOW: That is my belief, Senator.

SENATOR SKEVIN: Okay, that is all I have. Senator Herbert.

SENATOR HERBERT: I thank you so much for coming today. I have one big question: Has the service in the twenty years improved or declined?

MR. SADOW: Senator Herbert, obviously you are aware of the answer. You know very well that my service hasn't. But, Senator, will it improve if the State takes over? I am not sure. I would like to have some more reassurance in the bill.

Senator Herbert, the way the bill is presented, the way you have submitted it, I don't see anything in here as to how the State proposed to increase ridership. I don't see any outline of the bill on how they are going to function. And, Senator, being involved in transportation for commuters all these years, I would like to be shown - I would like to see - I am not satisfied with being told. I have folders and folders filled with what I have been told. I would like to see it first, and be convinced, and then I would be the first one to say the State running transit has proved very effective; now, take over the rest of it. But, I would like to see what the State can first do with the smaller carriers that are at this point in a position to be taken over.

If you take over many small companies now, that would eliminate the duplication that the State is talking about. The duplication in servicing, accounting, payroll. Let's see what the State can do with all of those, with just a small percentage of the ridership, and prove to us convincingly that what they are proposing is feasible, sound, efficient, and better for the commuter. And, then, Senator, I will be very happy to spend my time at nights with my family, rather than at meetings and taking time off from work to come to the hearing.

SENATOR HERBERT: Are you familiar with the State takeover experience in Rhode Island and in Baltimore, Maryland?

MR. SADOW: No, Senator, I am not. I am just familiar with what I have read about that.

SENATOR HERBERT: For your information, the experience has been a good one. Ridership has increased under State ownership. I was impressed with that.

MR. SADOW: Senator, as I understand it, the ridership increased because when it was taken over, the routes were increased. And that is why the ridership went up.

SENATOR HERBERT: And the fare went down.

MR. SADOW: But, Senator, why doesn't the COA right now permit and foster increasing routes and pay the subsidies? You can't have the best of both.

SENATOR HERBERT: We have all had problems with the history of the COA. We all know the problems. The big problem that we have is, if the bill does not move, and there is strong opposition to it, I look down a long dark tunnel, in which not only will there be increased subsidies for the taxpayer without accountability, but also increased lessening of service. And, maybe five years from now you might be begging for a bill like this. I don't know. It could be.

MR. SADOW: It could be, but, Senator, the commuter appreciates your efforts and everyone's efforts to to improve our plight, but we urge you not to be our benevolent dictators. But to listen to the input we are trying to provide you. What I am saying is, if there is going to be a bill, at least try to insure to the commuter the responsiveness that he is entitled to have. The very front of the bill, as it is currently written, the first time I read it, the first page, line 11, after reading that, I think it is lacking one phrase, and I think that is what is lacking in the total understanding of what the commuter problem is. At the end of line 11, what I would like to see added to that bill is, "Responsiveness to the needs of the commuter. Everyone seems to be wanting to do something for the commuter, but nobody is listening to the commuter. And, I think it is time that you listen to us.

If you are going to write a bill, write one that will utilize our input. Have your advisory boards consist of commuters, not just a board of appointments of people who don't ride buses and don't ride trains.

SENATOR HERBERT: I appreciate that.

MR. SADOW: And the same on the board, I would like to see, if this bill is passed, and if you would like to have our endorsement, I would like to see five appointees who are commuters who know what the problem is in commuting.

SENATOR HERBERT: Mr. Sadow, on Monday of this week, we sat down to speak about many amendments to the bill, including your suggestions. I would like to ask our staff aide, Mr. Capalbo, did we not in fact add that section under the amendments, the proposed amendments, do you recall, Joe?

MR. CAPALBO: It was under the section below that. We put in participation by transit users and concerned citizens. So, it was in the section below that.

SENATOR HERBERT: I see no objection whatsoever to adding Mr. Sadow's suggestion. In addition, Mr. Sadow, there will be an amendment submitted by Senator Gagliano, I understand, in which---

MR. SADOW: I would certainly hope so.

SENATOR HERBERT: ---the control of the board would not be as strong as you suggest, but that there be four public members who serve with the advice and consent of the Senate.

MR. SADOW: Four public members who are commuters, Senator?

SENATOR HERBERT: I would not accept that, for one big reason. I think you are absolutely right. There should be commuter membership on the Board, but what you are talking about in your suggestion is five commuter members, two from the executive department, and these people will actually be controlling, as a board of directors, all of us who are commuting in New Jersey, actually, under the control of the State, and that include the money. So, I see some real--- You think

it is apolitical, but I see some real political problems here. You can give everybody the best of all worlds. But, I don't know if the Legislature will go along, perhaps, with some of the spending which might be advocated by a board which is five to two in control of commuters. I don't know.

MR. SADOW: Senator, if I have read your bill correctly, the Governor has the option of vetoing anything.

SENATOR HERBERT: That is correct. But then he is overridden by the board. He can be overridden by the board.

MR. SADOW: I did not fully understand that. As I understood it, he had an opportunity---

SENATOR HERBERT: I am sorry, that is not in the bill yet. That may be submitted as an amendment to the bill.

MR. SADOW: As I read the bill currently, the Governor has the option to veto, so that if the five publicly appointed members are commuters, and there is a fear on the part of the Governor that they are going to spend too much or overwhelm the two ex-officio members of the board, all he has to do is veto it.

SENATOR HERBERT: Or the Legislature can simply not provide the appropriations.

MR. SADOW: Yes. All I am looking for is to make sure that finally the commuter has someone representing them.

SENATOR HERBERT: Yes, we appreciate that. Thanks so much for coming.

SENATOR SKEVIN: Senator Gagliano.

SENATOR GAGLIANO: Senator Skevin and Senator Herbert, I think you can tell by the testimony given by Mr. Sadow that the Monmouth County representatives do their homework. I, for one, appreciate it. I have had many conversations with Mr. Sadow. And, Jack, for your information, I did go over each and every one of the suggestions that you made to me by telephone with the Commissioner and with Mr. Herbert and other representatives of the State. Some we did well on, and some we didn't. By Monday we will find out, I suppose, just which of the proposed amendments that I will submit will be accepted.

Probably, the biggest problem, and the most important suggestion that you have made, is the limitation of authority to acquire bus companies. I think with respect to the others, we can come close, if we don't get everything. For example, I am quite sure the membership of the board will be increased to seven. That the direct representation of ex-officio members will be limited to three, rather than four.

I have steadfastly requested that commuters be represented on the board itself, as well as on the advisory boards. However, in response to my suggestion that the board be empowered to take over the smaller bus lines, those that want to be taken over, immediately, the Commissioner said he did not think that proposal would work. I have not told you this before, so I am telling it to you publicly. I do not know what will come of that suggestion.

Frankly, I tend to like the suggestion more and more, because based on your testimony, and based on what I know, the operation of the Department of Transportation, vis-a-vis, public transit, has not shown the people, not just the commuters, that they can really do the job. I think that is the biggest problem. I think in the past three or four years if they had done a great job for the people, and gotten out there and said, we want to have the greatest bus system we can have, and the greatest train system that we can have, once we have that,

then we will be in a position to take over. We have never done that, and I don't think there has been a real rally. I can certainly understand your testimony and the problem commuters have with the current bill. I appreciate that fact that you are here, and as I say, I am sure the other Senators agree. Your comments will be taken into consideration.

SENATOR SKEVIN: It is certainly well stated, and I would like to add a footnote to what Senator Gagliano said. I certainly would support the presence of the commuters to the extent that you have recommended, Mr. Sadow. I certainly think that we need that type of input, and we shouldn't applaud people only on election-eve for their intelligence in electing us, and then forget about their input on important issues at a later date.

So, I am for having commuters involved, and I am certainly involved and support the people in a tremendous program of this nature. Thank you.

SENATOR HERBERT: Senator Skevin, would you be willing to have only commuters vote on whether or not this bill is good? I think you might be surprised at the result.

SENATOR SKEVIN: I am willing to have the people vote. I certainly have respect for the intelligence of the people of this state, and I certainly feel they would do the right thing, Senator.

MR. SADOW: Senator Herbert, if it has any significance, in an unofficial poll of commuters riding the Route 9 corridor that members of our board have taken, and this is again just asking the individual they were sitting next to how they feel in regard to the State takeover, the first comment is, "My God, anything has to be better than it is now," and then he hesitates and says, "Wait a minute; wait a minute, the State could take over everything? Hell, no. We are afraid. Who do we complain to. I am freezing now, and we were complaining to the Department of Transportation and we are getting absolutely no satisfaction. If the State is the one who we complained to, and it is the same one who is running it, what do we do then?"

So, Senator, generally speaking, the vote is not in favor of the State takeover.

SENATOR HERBERT: That is one of the reasons why I think the bill is good, because if you are having problems, you call Senator Gagliano and he shakes up the bureaucrats in the DOT. We can't do that; we can't call TNJ. They don't shake in their boots when we call them. All they do is take our money.

SENATOR GAGLIANO: That is not true. I have called them.

MR. SADOW: Senator Herbert, I would just hope that the Department of Transportation and the COA were not as responsible as some of the bus carriers were; if they were, the Central New Jersey Transportation Board would never have organized, and there would have been no need for commuter groups. It is only now that the commuter realizes that if we do it together, we have an impact. Up until now, we have been just sheep, and if you go upstairs at five o'clock, you will see all of us being pushed on the cattle cars.

But, we now realize that we can talk to you, and we can have an impact on what is going to be done on this bill.

SENATOR SKEVIN: I might also ask, who do you call at the Post Office, Mr. Sadow?

MR. SADOW: I hand carry all my mails.

SENATOR HERBERT: You know, Senator Skevin, you have made that remark

and I am going to conduct a little experiment. I am going to write to representatives in the fifty states, and put a fifteen-cent stamp on each envelope and see how fast they are delivered. Just to give you an example, I happen to have a constituent who ran into trouble in Florida, and I wrote to the Senator in the district in which he got a traffic ticket. He responded to me in four days. I think the Post Office does a better job than a lot of people give them credit for, for fifteen cents a letter.

MR. SADOW: Senator, if the Post Office does a better job, I would just hope that the Department of Transportation would do a better job.

SENATOR GAGLIANO: This bill isn't about the Post Office.

SENATOR SKEVIN: Vivienne Li.

V I V I E N N E L I: My name is Vivienne Li. I am the President of the League for Conservation Legislation. I speak today, however, as a commuter. I don't drive. I am totally dependent upon mass transit. For four years when I went to school, I took the inner city bus. For six years when I worked in the City of Newark, I took the Erie-Lackawanna trains and the PATH trains. When I was in Newark, I took the TNJ buses.

For the last nine months, when I have been working in New York, I have been taking the Short Line bus. I am an ultimate commuter, and I am the one that takes it to get to work, to get to school, and for recreation purposes.

I believe there is a need for an integrated, well-balanced transit system. We need it to meet clean air standards, and to meet energy goals. We need mass transit to be considered as a service much like the police and the firemen are considered a necessary service. Those of us who take mass transit are at the mercy of various private operators at present. You indicated before there was a 41% decrease in ridership. I think you should be aware that pre-1974, when TNJ received its bus subsidies, it decided to "streamline" the system. It reduced by one-half the vehicle miles that it had prior to 1974. We, the commuters, are at the mercy of private bus operators at present, and until there is some state control over it, and until such time when companies are made accountable, we will not be able to get the service that we need.

Senator Herbert has already presented the facts in terms of how much support the State gives to existing systems. The capital is owned by the State, and whenever there is an operating deficit, the State makes up that deficit. I think that if we are going to have a system that runs and functions on time that is safe and provides for necessary services to the citizens of New Jersey, we need to have some state control.

Today, when I got on my bus, my bus company told me what I should say here today. I want to read you a part of what they said to me.

SENATOR SKEVIN: Could you identify the bus company?

MS. LI: It is the Short Line, and I think you know Mr. Rockland; he has testified before you.

SENATOR GAGLIANO: You mean he wrote you to talk.

MS. LI: He wrote to me as a Short Line passenger dated today, beginning with the second paragraph, "Short Line thinks the Department of Transportation's plan to have the State run the buses is a mistake. For ten years, the DOT has had power to shape New Jersey's transit system, and this year alone, we have spent \$143 million of public money on operating subsidies. You pay in taxes more than \$2.50 per ride for your neighbor's one-way train trip. And in your bridge or tunnel tolls,

you pay over 80¢ for your neighbor's ride on PATH. Solely because Short Line has not allowed its buses or service to deteriorate, New Jersey DOT provides no subsidy to you or Short Line."

I want to respond to that, because I don't think the picture that he is giving you here is totally accurate. It addresses part of the situation, but I think there are a lot of things which have not been considered. So, bus riders are not the only ones that subsidize. There are other forms of mass transit. Automobile users do, and the public as a whole does. If, for instance, you had a balanced transit system, we must have our trains, just as we have our buses. If we took the approach that you can just subsidize bus riders, and not have the trains, we will not have enough road capacity, and we will not have sufficient buses. What would the intersection of Route 4 and 17 be like if everyone who now takes the train takes their care or the buses? We obviously need to have an integrated and balanced transit system that includes buses and trains. I think that has to be realized on the part of the State.

We also have to bear in mind that each bus route is different. To say that I operate a profitable bus lines, and someone else doesn't because of inefficient management does not tell the whole story. In the case of my own bus line, they have the Catskill long haul on weekends to balance the short hall commuter route. Also, my bus line happens to have a good highway network. You can't say that about every bus line in the State. If you look, for instance, at what happened in Salem County where the density of ridership is much lower than in Bergen or Essex County obviously, the differential in terms of a subsidy is going to be much higher than a low density community or county than it is in Essex or Bergen.

I also think we should look at companies like Maplewood and TNJ owned by the same owners, and yet the difference in terms of subsidies is very significant. Maplewood Bus Company has a much lower subsidy level. The reason for it has to do a lot with the routes of operation, and also the areas that it services. I don't think it is just a question of inefficient management versus efficient management. I think you have to look at each bus route in the area that it services.

Finally, I think you have to bear in mind that bus companies, even the "profitable" companies are subsidized by everyone. Buses don't run on air, they run on roads which are built using taxpayer's money. When the streets are plowed and the roads are plowed, that is done using taxpayer's money, not just the bus company's money.

You should bear in mind, for instance, the fact that the train companies, up until the time they were taking over had to pay to use the right-of-way. Bus companies don't have that type of expense, and they are in a sense subsidized by all of us, even the profitable ones.

Those are some of the things I thought had to be said.

I also want to deal specifically with the bill, specifically page 10 of the bill where you talk about the possibility of the Commission having control over issues of eminent domain. I serve on the State's Natural Resource Council, and the way the legislation is written at present, that is Section 12-B, it would allow the body to have jurisdiction over riparian lands. I don't know if you mean to take that control away from the Natural Resource Council, Senator, but if it is, I think we in the environmental community would have some problems with that. I am not sure of your intention, whether you wish to circumvent the current procedure in terms of riparian lands, but I suggest that you look at that closer.

On page three, section four, when you talk about membership, I support the previous speaker's concerns about being assured of the adequate public members and commuters being represented.

Furthermore, on page seven, when you spoke about any changes in fare increases or services, we feel it is important that there be adequate notice to the public, not only to have posters and signs put up in buses which can very easily be torn down, but to be sure there is adequate notice in newspapers and general circulation in the areas that are directly affected. Thank you very much for your time.

SENATOR SKEVIN: Thank you, Ms. Li. I have no questions. Senator Herbert.

SENATOR HERBERT: We did address the prior notice to the commuters and to the public. A suggestion was first made that there be a twenty-day notice period. I think we will compromise at fifteen in the amendments, two weeks before is adequate notice to the public. Ten days might be a problem for certain people. Perhaps, if they are given notice on the fifth or sixth day, they can arrange their schedules. We are looking to the whole issue of the riparian land rights, and air rights with the Commissioner's people. Thank you for bringing it up.

SENATOR SKEVIN: Senator Gagliano.

SENATOR GAGLIANO: I have no questions. That was a very good statement. Thank you.

SENATOR SKEVIN: Peter Koelsch.

P E T E R K O E L S C H: My name is Peter Koelsch, Matawan Borough, Monmouth County. I represented the Borough and transportation since 1965. I have been a member of the Transportation Committee since 1965; I have been a member of the County Transportation Committee since 1973 when it was formed. I have been commuting to New York by bus and by train since 1938. For the last 21 years by TNJ Bus Company in Matawan from the day they first started, and before that by rail.

I have seen over the years a lot of promises, shall we say, for commutation which have not taken place. The expansion of the bus subsidy program some years after the rail subsidy program started--- And, I would like to mention that when the bus subsidy was first started, it was supposed to also include money for study of a method of alleviating the bus problems which nobody seems to have ever done, or if it was done, it was never made public. This bill has already been beaten to death, I would say, by the many hearings you have had. I notice Mr. Sadow went into it rather thoroughly, but one thing I didn't hear mentioned here, particularly on the selection of members, there were two things, number one, I think it is a very poor policy that all members be concurrently picked at one time.

I can imagine a Governor coming in, regardless of the party, and throwing the whole board out, virtually, and starting all over again. The continuity is destroyed.

Number two, I think that any ex-officio member from the State should not be permitted to substitute. We merely have to watch the Commuter Operating Agency, its meetings, and see the people who come in from time to time to see how that works.

As far as the State operating or getting into something versus the private lines, we have private lines who are operating without a subsidy - ranging shall we say from Suburban bus routes, that makes an excellent profit, and goes through a very heavily populated area going down from New Brunswick, and I have observed some of his affirmations to the nightmare in our particular area known as the Asbury Park-New York Bus line. This is a bus line which has gotten out of the subsidy program. They were only in it for about two or three years. And, right after they got out of it, in the period of about sixteen or seventeen months he had three fare raises at 10% each. Today his fare is exceptionally high, and he is looking for another 10%. He recently underwent a strike of eight months with his employees, and now he has resumed, and from what I have been able to find out, he is riding only about 40% of his former passengers, and I don't think if it continues he is going to be long in this world.

SENATOR GAGLIANO: You meant the company, not the owner.

MR. KOELSCH: Right. (Laughter) Mr. Robert, of course, is a very tough cookie. He will be around. He takes care of himself. And he has over all these years.

One part here I am not certain about, and this is on page seven, lines one to seventeen, about the authority given the corporation pursuant with respect to fares and services. And, at the present time also, I know the Commissioner is looking to get rid of the ICC in connection with the fare increases on local buses, on intrastate buses. And, this is something that kind of scares me.

I might mention that in 1977 we had a proposal for a fare increase; 10% on all railroad passengers, regardless of whether they were interstate or intrastate, and 10% on interstate bus riders, and being an interstate bus rider, I naturally had a personal interest as well as being a commuter representative.

I contacted a number of people in the Department of Transportation, and the majority of the bus riders in the State of New Jersey, the interstate riders together are not going to pay a fare raise, and I was told very bluntly, politics. In other words, gentlemen, the ICC is about our only resort in a case like that. Now, if you take TNJ, at that particular time, they were carrying more than 70% of their ridership on intrastate buses, according to the PUC reports. The statement was made that the intrastate riders are less able to afford the fare raise, and yet at the same time the Port Authority came out in 1977 with an annual report saying that 80% of the people who use the PATH Terminal in Jersey City go interstate. The justification for the emergency transportation tax funds in 1976-77 carries a \$3 million item to repair streets in Jersey City in the vicinity of the PATH terminal because 90% of the people who take the buses to the PATH Terminal go to New York, so are they intrastate riders or interstate riders?

If you go down to Camden, you get the same thing, a majority of the people coming in and riding the buses and maybe end up in Philadelphia. But, overall, I cannot see where we can continue being sort of a two-headed monster with the State running part of the bus line, and not running the other part of

the bus lines. The business today with the subsidies - the State itself of course has not believed at any time ever acted on incentives for bus companies that might do the job. It seems to be better for a bus company in the State of New Jersey to lose money; he is going to get it anyway, because he didn't have to try. In fact, it is happening with the railroads, but it is even deeper.

I would say in conclusion, I think that if some of these small issues in this bill would be corrected where the people get better representation, the business, I think, or the politics gets taken out of the field and it should not be political to begin with, but has been too often. But, the State with the proper personnel--- I think the present Commissioner has been battering those personnel which it never has had before. It would be well advised for the State to take over the buses inasmuch as they are pouring money into it, and they are going to be pouring in additional monies as we go along.

SENATOR SKEVIN: Thank you, Mr. Koelsch. I have no questions. Senator Herbert.

SENATOR HERBERT: No questions.

SENATOR SKEVIN: Senator Gagliano.

SENATOR GAGLIANO: Pete, I just want you to know that is another amendment that I have proposed to the bill, in terms of the Board, the public members would be staggered terms.

MR. KOELSCH: Is there any chance of the ex-officio members having to be there to vote, no substitutes.

SENATOR GAGLIANO: We have suggested that. A counter-suggestion has been made that there be a designated replacement, presumably a top person directly associated with the Commissioner, for example, who would have to be there; absent the Commissioner and the designated person, then that Department would not vote on a particular item. In other words, you just couldn't go into an office and say, hey, come on in, we need a quorum. So, that has been a counter-suggestion. I don't know what will come of that.

MR. KOELSCH: Thank you.

SENATOR SKEVIN: Louis O'Brien.

LOUIS J. O'BRIEN, JR.: I am Louis O'Brien, a member of the Freehold Borough Parking and Traffic Control Committee, and Secretary of the Central New Jersey Transportation Board.

After ten years of working with a "temporary" subsidy program, we now have a proposal to do away with it completely and to use these funds to operate an extensive, publicly-owned rail and bus network throughout the State.

The Department of Transportation, the Senate, and the Assembly must share the blame for not studying changes in the subsidy program before this.

Now we are faced with a crisis situation in which the Federal Government, through ERISA, sets standards for funding private pension plans, and Transport of New Jersey, following accepted accounting theory, funds annually a portion of an unfunded pension liability. On the other side of the street, the DOT says this is not an authorized expenditure under the subsidy program. Who is right? What are the subsidy guidelines?

This is the subsidy program which is reimbursing public carriers for their losses. A carrier who is profitable must keep raising its fares and become uncompetitive, or slide in a losing operation and accept subsidies. Shouldn't the subsidy program be used primarily to keep commuter fares low?

The subsidy program as originally conceived in New Jersey was to have each county share in the cost of their local bus service. Some counties never paid a cent of the money they were charged, and now the state pays for nearly all of intrastate bus operations. Last year, when the State proposed to cancel several heavily subsidized routes, county and municipal officials protested, and the cancellation orders were and municipal officials protested, and the cancellation orders were rescinded. A state corporation would be under much pressure to increase intrastate bus operations and to pay the total cost of those operations.

Under Federal programs, the various states and municipalities are given the bulk of the money to purchase bus and rail equipment. A private corporation does not share in this generosity. In fact, in New Jersey, a private bus company which is losing money and drawing subsidies cannot recoup depreciation either on their tax return or through the subsidy program.

It is no wonder New Jersey is one of the last areas in the country to have private bus operations.

Another aspect of capital improvements shows up in the Route 9 corridor of Central New Jersey. Transport of New Jersey must deadhead their buses from their North Jersey garages to and from Freehold and Lakewood for their daily runs. If TNJ builds a garage in the Freehold area, the subsidy program will not reimburse them for their capital expenditures. The subsidy program will, however, reimburse them in full for this inefficient operation of their equipment.

I would like to offer a fourfold solution: First, revamp the subsidy program. Base the subsidy to be paid on the number of passengers carried on regularly scheduled service. Private and public systems would be eligible to participate, but bi-state agencies would not. At the same time, standardize the fare structure. Rail and bus passengers traveling the same distance should pay the same fare. Commuter tickets should be set at a fixed percentage of the full fare, and that percentage should be maintained with each fare increase.

Second, strengthen the regulations under which carriers operate. Bus carriers signing leases to operate state owned buses should know what is expected of them. Penalties for violations should be established and enforced. Public owned operations should have guidelines to be adhered to.

Third, give each County the authority to operate local bus service. Perhaps some of the buses being replaced under Transpac could be turned over to the counties to start the system. The counties interested in starting local transportation systems could estimate their ridership and subsidy and appropriate sufficient local funds to cover operations. County officials would be able to change routes to meet demand. The initial appropriation for each county should be outside the budget caps. The State could assist by performing major bus repairs and by providing consultation services.

Fourth, set up a public transportation corporation to operate rail and bus systems.

With the revamped subsidy program and a revised fare structure, rail operations will continue as a losing operation, and some bus operations will continue to lose money. There has to be a vehicle to continue vital transportation services.

This corporation should be organized with a headquarters and two operating divisions. Each of the operating divisions should have their own staff and bank accounts. Each division might also have an advisory board of directors.

Mandatory arbitration rules should be established to avoid strikes.

There is a basic difference in bus and rail operations that should be remembered. Buses operate on highways which are dependent on the State Highway Department and others for repairs. Railroads operate on tracks whose repair and maintenance will probably become a part of the proposed corporation. There will be more pressure for funding rail operations than bus operations.

The proposed corporation should not target a specific bus carrier and actively pursue it, but rather should be a method through which operations can be continued on the routes of bankrupt carriers, or on the routes of carriers who are continually cited for violating regulations. Costs should be determined through negotiations or through court condemnation procedures.

The Senate Committee has already set down ten questions it would like answered as part of an economic impact statement. It would seem as if it might be best to set a target date for changes at either January 1, 1980 or July 1, 1980. Ten years of passive neglect cannot be solved by 3 or 4 public hearings. Once private companies are taken over, there is no turning back.

In conclusion, I feel the solution is fourfold: One, revamp the subsidy program and the fare structure; two, strengthen the regulations for public and private carriers; three, allow the counties to set up local bus systems outside the budget caps; four, set up a public transportation corporation.

Only in a total package can the mass transit problems of New Jersey be solved. Thank you.

SENATOR SKEVIN: Thank you, Mr. O'Brien. I have no questions. Senator Herbert.

SENATOR HERBERT: No questions, thanks for coming.

SENATOR SKEVIN: Senator Gagliano.

SENATOR GAGLIANO: I think it is an excellent statement, and I just want also to say that Lou O'Brien is a constituent of mine, and you see again the quality of the Monmouth County people who have come before us.

SENATOR SKEVIN: The quality and the quantity is amazing here, Senator Gagliano. I think you arranged for this. (Laughter)

In any event, we really appreciate this testimony, and we really mean it, the quality is fine, and we appreciate your statement. Thank you.

John Kuhnen.

J O H N C. K U H N E N: Senator Skevin, Senator Gagliano, Senator Herbert, I would like you to know, first of all, that the people back in New Jersey know your thoughts with regard to bringing the issues to the people and can hear and see for themselves what we are trying to do for the people, and your constituents, in New Jersey for the future of transportation.

I would also like to offer my services in the future during the meetings regarding this bill, so we can thrash out the amendments and the problems that now exist.

This statement concerning Senate Bill 3137 is submitted on behalf of the Utility Co-Workers Association and its members both past and present.

My name is John C. Kuhnen. I am the Chairman for the Claim, Legal and Law Departments of Transport of New Jersey's workers who are members of the Utility Co-Workers Association which is an independent union - herein after will be referred to as the U.C.A. The association was formed in the year 1942 and represents a greater portion of people who are employed by Public Service Electric and Gas. We

have a combined total of about 1500 members.

I have had the distinction and honor of both working as an employee of Transport of New Jersey for over twenty years and being an elected official officer representing the co-workers of the Claim, Legal and Law Departments of Transport of New Jersey. I may add that I personally, with my fellow officers, negotiated contracts with Public Service Coordinated Transport and Transport of New Jersey for the past fifteen years.

I am here today for the sole purpose of calling the attention of the Legislature to several items, one of which will be in reference to the pensions.

I, along with my fellow members, feel that there is a definite lack of adequate protection in the Bill S-3137 for past and present employees pension and welfare benefits presently made available or promised by Transport of New Jersey and Public Service Electric and Gas. I include the name Electric and Gas because I wish it to be known that my people, some of whom still work for Transport of New Jersey Claim, Legal and Law Departments, were also once an integral part of the Public Service Electric and Gas Claim, Legal and Law Departments.

Our pension at one time was fully funded by Public Service Electric and Gas. For this Committee's information purposes my people were severed from Public Service Electric and Gas, not by choice but by company order, back in the year of 1957, in the month of April.

Some of the people I speak for today, both past and present, were employees of Public Service Electric and Gas. These individuals I speak of today have invested their careers and lives to the service of Public Service and Transport of New Jersey for promised pension and welfare benefits upon their retirement. It is the position of the U. C. A. that S-3137 does not adequately protect the financial integrity of this commitment of retirement benefits. Public Service Electric and Gas we feel is still obligated to the people of Transport of New Jersey.

I want the Committee to know that my U. C. A. membership and fellow members and TNJ employees, along with management and retired people are all family and we will work together for what is right for their future, TNJ's future and also for the State of New Jersey's future.

I personally feel that Public Service Electric and Gas should shoulder the burden of future employment and pensions for my people should S-3137 become a reality. Someone then may ask the question, why do you feel Public Service Electric and Gas is responsible for the future of the people of Transport of New Jersey. As I continue with my statement I feel as though you will understand fully my feelings into why.

At this point I would like to call your attention to the fact that Public Service Electric and Gas and Public Service Transport has been in business for over 75 years and during these 75 years we have been self-insured for employee welfare benefits and personal and property damage claims.

I may also add that my people for more than 48 of those 75 years worked together hand in hand in the same office building until April, 1957, when it was decided by Public Service Electric and Gas to separate the Claim, Legal and Law Departments into two separate departments. I bring this to your attention because I feel Public Service Electric and Gas back in the year of 1957 wanted to rid themselves of a liability which was growing more and more on their shoulders.

I am further concerned because S-3137 on page six, line 83 states as follows: "procure and enter into contracts for any type of insurance and indemnify

against loss of use and occupancy, against death or injury of any person, against employees liability, against any act of any member, officer, employee or servant of the corporation, whether part time, full time, compensated or non-compensated, in the performance of the duties of his office or employment or any other insurable risk."

Gentlemen, I bring this to your attention because no where in this paragraph or bill of S-3137 does it request for the transportation corporation to enter into a self-insured contract. Over and over at most every meeting I hear the question asked of the people called before this Committee "do you have any idea how much it will cost the State to take over the bus business?" In today's inflationary market I do not think you can hardly ask that question of your wife's next week grocery bill, not alone ask what bus transportation take over will cost.

As an insurance claim professional for over twenty years, I can promise the State officials along with the New Jersey taxpayers that if they pass S-3137 in its present form it will cost more than two to three times as much by buying insurance as it would by being self-insured. I know for a fact that study after study has been made by Public Service Electric and Gas and Transport of New Jersey and the State of New Jersey into the cost factor of outside insurance and the same answer comes back time after time. Nothing can serve the company or the corporation better than being self-insured.

I personally know of three insurance consultants, namely, Johnson and Higgins, Marsh and Mc Clellan and Simpson and Curtin who have made valuable discovery into the cost of insurance versus self-insured. I urge you to request copies of these reports to make your own evaluations.

I wish I had more statistics available at this time to present to you, but I am personally sure Mr. Gilhooley, President, will cooperate in every way as he has publicly stated before this hearing on April 4, 1979.

I would also like to point out that my people at the Transport of New Jersey Claim, Legal and Law Departments have already demonstrated to Mr. Gilhooley our personal interest in insurance cost by helping Maplewood Equipment, which is a wholly owned subsidiary of Public Service Electric and Gas, cut expense and cost by handling their liability collection work free of charge. It may be pointed out that Maplewood Equipment is not self insured and they must pay costly premiums to protect their liability interest. It is in the free spirit of the U. C. A. people and of Transport of New Jersey that we contribute to whatever way we can to help make the bus business work even though we have never entered into any labor agreement with Maplewood Equipment.

These facts I bring to your attention because I feel Transport of New Jersey should be used as the hub in the wheel of the proposed takeover should it become reality and the Transport of New Jersey Claim, Legal and Law Departments could expand throughout the State to cut insurance cost so as to help put money to better use for new and better equipment for the citizens of New Jersey, New York, Pennsylvania and even the rest of the nation.

I fully realize that Mr. Gambaccini, Commissioner of Transportation for New Jersey, in his testimony of March 28, 1979 stated and I quote, "I would further like to point out that I believe that the initial reorganization of the bus system in New Jersey can be achieved without any layoffs of existing transit personnel." I appreciate his interest and concern, but I can hardly see or understand how professional insurance people can be kept if the bill he wishes to be made law

states the fact they wish to procure outside insurance help.

I want to notify this Committee and Mr. Gambaccini we are highly trained professional technicians and we have contributed our entire careers to this practice and we are not looking forward to any retraining programs so the record can show there were no layoffs. If this bill should become reality my people want to continue to demonstrate their professional techniques to the people of New Jersey at a cost factor which will be far less than buying insurance.

I urge this Committee today not to allow what has happened to a recent bill in Trenton which was passed and later found to be a disaster because responsible people who voted did not read the bill before they made their decision to vote.

I would like to close by stating that New Jersey is at the crossroads of mass transportation and that it is my fervent hope along with all of the members that I represent and the Transport people of New Jersey employees including the bus drivers and the pensioners that the powers to be will come together in harmony to push forward for the future of New Jersey to make it where it should stand throughout the country as number one in mass transportation, and also the people who have contributed their entire life to the company, the industry that it is today and what it promises for the future.

I close with one last thought and that is, if you do not plan for the future, then you are stealing from it. Thank you.

SENATOR SKEVIN: Thank you, Mr. Kuhnen. We appreciate your comments and I certainly, as a former claims man, recognize the value of your background and the people that you represent. And, certainly, that will be taken into consideration when this bill is revealed by our Committee. I have no further questions. Senator Herbert.

SENATOR HERBERT: Yes, thank you for an excellent statement. I think you are a great spokesman for your people. The section that you read on page six, section 83 through 89 is governed by a long clause which goes back to page four. I would like to read it, and I think it might give you a little reassurance, and then I am going to ask the staff if we have done anything about this. In addition to the powers and the duties conferred upon it elsewhere in the act the corporation may do all acts necessary and reasonably incident to carrying out the objectives of this act, including, but not the limitation thereof, the following, and then we pick up your section that you objected to, we may - I think it is permissive.

Now, I would like to ask staff if a suggestion may have been made about self insurance. Mr. Capalbo, has that been made?

MR. CAPALBO: Yes, that suggested amendment was made, and it was taken into consideration and incorporated into the set of amendments that you wanted.

SENATOR HERBERT: That is why we hold public hearings. You strongly endorsed self-insurance in the bill, and I think we are going to move on that amendment.

MR. KUHNEN: Do I understand, then, that you are saying in effect that we have included in the amendments that are now being prepared the clause which states that the State also have the option to self-insure if necessary?

SENATOR HERBERT: Correct. As I understand the discussion, we had; is that correct, Joe?

MR. CAPALBO: Yes.

MR. KUHNEN: That is about the first good news I have had in a long time.

SENATOR HERBERT: That is why we have public hearings. Thanks a lot for coming.

SENATOR SKEVIN: Senator Gagliano.

SENATOR GAGLIANO: Mr. Kuhnén, that is true, the amendment which will provide for the option of self-insurance is being drafted. I want you to know that I was visited by a member of your office who is a constituent of mine who outlined the problem to me, and gave me some statistics which impressed me, that your insurance costs, some insurance costs, are much less than the insurance costs of comparable companies that insure through insurance companies. That is an impressive thing, and I think we all recognize that, and that is why the amendment is being prepared.

MR. KUHNEN: I would like to leave with just one last thought, if I may, I know you have been looking for statistics right along with regard to cost, but I just have one very important note here, and if in the future you speak to any insurance company that wishes to get involved, as far as the liability coverage is concerned, they must first meet the cost factor of 5.4% of gross. This is what we operate with, and I think it is an excellent example for any other carrier throughout the entire country to try and compare it.

SENATOR SKEVIN: I have always been an admirer of your claim's department. You certainly do a fine job, and are a credit to the profession.

MR. KUHNEN: Thank you very much, Senator.

SENATOR SKEVIN: Thomas J. Rodgers.

T H O M A S J. R O D G E R S: I am here strictly as a commuter to complain about the condition of the buses. If the State takes over, I don't think anything is going to be accomplished at all.

SENATOR SKEVIN: Where do you live?

MR. RODGERS: I live in the part of New Jersey which is called Middlesex County, and I live in Sayreville. I guess my biggest complaint would be, when things go wrong on the buses, or you know there is something wrong in the bus, it is never taken care of.

SENATOR SKEVIN: Do you know who to complain to?

MR. RODGERS: I didn't complain to anybody in particular.

SENATOR SKEVIN: Do you belong to any commuter organization?

MR. RODGERS: No.

SENATOR SKEVIN: How long have you been commuting?

MR. RODGERS: In July it will be almost ten years.

SENATOR SKEVIN: Do you use the commuter system in New York?

MR. RODGERS: You mean the subways?

SENATOR SKEVIN: Yes, the subways, bus system.

MR. RODGERS: I walk from here to the office, unless it is really bad weather.

SENATOR SKEVIN: How do you compare the public system in New York to that of New Jersey?

MR. RODGERS: Well, as far as cleanliness, the TNJ is much cleaner.

SENATOR SKEVIN: They are much cleaner in New Jersey?

MR. RODGERS: Yes. I would say so. I would give them that much credit. But, you get on the bus in the winter, and the window doesn't work, or the windows are shut and don't open because the track is damaged on one side, and the reading lights--- I like to read, and coming and going the reading lights will be out. Nobody takes care of anything. I will be as simple as that.

SENATOR SKEVIN: Generally speaking, are the buses on time in New Jersey?

MR. RODGERS: I would say, yes. I travel in the main part of the rush hour.

MEMBER OF THE AUDIENCE: No way.

SENATOR SKEVIN: If you would like to testify, we would certainly welcome your testimony. Please give this fellow a chance to finish what he has to say.

MR. RODGERS: The only thing I have to say about schedules is, if you stand on the corner, and the bus is gone, not on schedule, there is no way for you to know that. You can be standing there for another hour and wait for another bus to come along. But, as far as during the rush hour, there are buses running every 10 to 15 minutes.

And, of course, you can get on buses that rattle and shake all over the place, and if you remember the number, the bus can be in the same condition a week or two later.

SENATOR SKEVIN: How about air conditioning?

MR. RODGERS: That is bad even on the new buses. The heat doesn't work either. When you get on the bus in the winter, it is as cold inside as it was outside.

SENATOR SKEVIN: Okay, and you feel that if the State took over there would be an improvement?

MR. RODGERS: Well, if it was set up so they had good administrators and good maintenance schedules, and having a preventative maintenance schedule, or taking care of something that goes wrong right away, that would be worthwhile. But, if not, they are not going to gain anything.

SENATOR SKEVIN: How long have you used the buses?

MR. RODGERS: Since August of '69.

SENATOR SKEVIN: And you have been using them regularly?

MR. RODGERS: Yes, pretty regularly.

SENATOR SKEVIN: Well, I personally appreciate your coming to our hearing to testify, and we certainly will have your remarks as part of our record, and we will review them. Senator Herbert, do you have any questions?

SENATOR HERBERT: Thank you for coming.

SENATOR SKEVIN: Arnold E. Decof. Can you tell us where you live?

A R N O L D E. D E C O F: I live in Pompton Lakes.

SENATOR SKEVIN: Mr. Decof, I asked you to come down, because I noticed you made remarks before in the background. If you could, please make it concise. We have a number of other witnesses here.

MR. DECOF: Okay, I have been commuting for three years from Pompton Lakes since I started working in New York City. There was something mentioned about scheduling of buses. Now, the bus line I take, the Maplewood, is quite regularly scheduled. I use the term regular because it is very rarely on time. About a month ago, I was supposed to meet somebody, and they were over an hour late, and I got kind of worried. I called up the Port Authority and asked if there was anything happening, and their remark was, "What line do you commute on?" And, I related, "The Maplewood." And the Port Authority person told me, "Oh, you know the Maplewood, they are always late." So, there is no scheduling.

I would also like to talk about the horrendous condition that is here in the Port Authority building itself. Number one, for the last three or four weeks, I have been waiting on a line for a bus that is usually a half hour to

three quarters of an hour late, and that is bad. There is no scheduling. I don't know if there is a problem here at the Port Authority, or with the bus line itself.

You also talked about the air conditioning and heating. Well, it is heated in the summer and air conditioned in the winter. Probably what is happening is nobody has gotten any response. I have called people and I get no response. I have written a letter or two, and I get no response.

SENATOR SKEVIN: Do you think you will get a response if the government takes over?

MR. DECOF: I doubt it.

SENATOR SKEVIN: Well, do you use the public system in New York?

MR. DECOF: Yes.

SENATOR SKEVIN: Do you find that any better than New Jersey?

MR. DECOF: I think it is, sir.

SENATOR SKEVIN: Are they cleaner?

MR. DECOF: They are about on a par.

SENATOR SKEVIN: Safer?

MR. DECOF: I am as safe anywhere I walk in New York.

SENATOR SKEVIN: Do you know to whom to complain if you have any problems?

MR. DECOF: I would probably call the Consumer Affairs people.

SENATOR SKEVIN: I appreciate your coming over and giving us your views and your comments. They will be part of the record. The young lady is taking your statement. I have no further questions.

Senator Herbert?

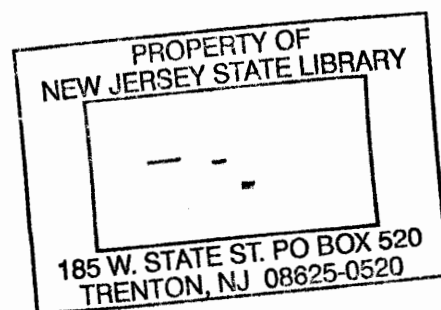
SENATOR HERBERT: Senator Skevin, ---

MR. DECOF: I would like to make one more statement. For a short period of time, I was driving to New York City. I gave up on the bus line. Unfortunately, my pocketbook could not handle it anymore and I was forced to go back riding the buses. The majority of us commuters would probably drive into New York City if the cost wasn't so high. Keep costs down and keep the buses on schedule. We do put in a long day. We put in eight hours at the office and we are tired. We come over here and we wait. In the summer and in the winter, we are just waiting in the lines.

SENATOR SKEVIN: I know what you go through. I spent a good part of my life doing that.

SENATOR HERBERT: Senator Skevin invited you down, I think, on the spur of the moment and you did very well. Thanks for coming.

SENATOR SKEVIN: Now we will take the gentleman who was waiting.



J A M E S L E F A N T E: I am James Lefante, President of the Hudson County Independent Bus Owners Association.

SENATOR SKEVIN: Do you have a statement, Mr. Lefante?

MR. LEFANTE: No. I am shooting right from the hip.

SENATOR SKEVIN: All right. Then you shoot from the hip.

MR. LEFANTE: We are independent bus owners of Hudson County, comprised of seven bus lines. We do not get any federal assistance or subsidy. We gross \$5 1/2 million on the present 35 cent fare structure, with 16 million riders who commute to the PATH trains at Journal Square. About 40 percent of our ridership use PATH and the rest use surface transportation. Presently we go into the PATH Terminal and we are being taxed right now for a departure fee. Our riders are being taxed a departure fee. PATH took 1600 feet away from us around the PATH Terminal and told us we couldn't stop within this perimeter. The MTA stops right out front. We don't know why PATH allowed this to happen or why you legislators never came to our aid. We have been to the PUC, COA, DOT, and Assemblyman Esposito. I have been to every one of you legislators to come to the aid of the independent busmen. We spoke to Mr. Sagner to no avail. The 1600 feet of city streets belong to the taxpayers and the people who ride with us, not the Port Authority. Why hasn't one of you legislators come forward? You talk about encouraging people to ride the transit systems. Yet the Port Authority or Mr. Sagner - at that time, I believe he was the Commissioner of Transportation as well as working with the Port Authority - decided against us. We made no headway.

The independent busmen of Jersey City have the lowest wage structure in the State - \$5.50 or \$6.00 an hour - while the subsidized carriers are at \$7.50 an hour. I have been corrected - \$9.00 an hour. I don't know why in the world we in the State of New Jersey want to go into the bus business when the Maryland Transit Company, the San Francisco Transit Company and the Chicago Transit Company all run at a deficit. Recently, the Long Island Railroad had 1.7 million gallons of fuel disappear - just disappear. In cash, it was worth \$750,000. The Long Island Railroad had a deficit of \$5 million. We hear of the breakdowns on the MTA and how 25 percent of their buses lay in the garage due to breakdowns, etc., while we make a profit and 2 percent of our buses, the independents, stay in the garage due to breakdowns.

SENATOR SKEVIN: You don't receive any subsidy?

MR. LEFANTE: No subsidy.

SENATOR SKEVIN: And you are in for a profit.

MR. LEFANTE: We show a small profit because we do the work ourselves. We do a lot of back-breaking work to keep our equipment rolling.

SENATOR SKEVIN: And you feel that you can do the job better than the State?

MR. LEFANTE: I am not through yet, Senator, but I am quite sure we can do the job better than the State.

With the State takeover, there will be duplication of effort, waste and bureaucratic bungling. Some gentleman said there is no air-conditioning. They bought this flex bus from a Detroit company that was going out of business. It was 2,000 pounds heavier which added fuel costs to our operation. Parts are not available. Our tires wear out every six months and we have to do brake-lining three times a year because of the excessive weight. It is a 100-inch bus opposed to a 96-inch bus and it is not equipped for the streets of Jersey City.

It is hoped you legislators, if there is a change in contracts for your new equipment, will scrutinize this thing much more closely and will consult the independent bus owners of the State of New Jersey as to what kind of equipment should be bought.

Some time ago, the DOT started with 100 people. Presently, there are 2,000 people. I imagine when the State takes over, there will be 5,000 people. We employ in the whole industry in the State of New Jersey about 10,000 drivers. That is almost two-to-one of State employees.

SENATOR SKEVIN: Everyone is working.

MR. LEFANTE: So everyone is working - well, I don't know whether they are all working or not - opposed to the bus men and their 10,000 drivers.

SENATOR SKEVIN: Full time?

MR. LEFANTE: Full time.

SENATOR SKEVIN: No-shows?

MR. LEFANTE: Well, plenty of that. I have lived in Jersey City and the State of New Jersey all my life. I am quite aware of the political bungling in our bureaucratic system and how it works. The State will destroy the bus business in the State of New Jersey and we will be at the mercy of a czar in labor and a czar in transportation. When I say a czar in labor, I mean they can pick their own governor. You know it doesn't take much for labor to pull a strike. You give them a dirty look and they will pull a strike. Do they stop at \$9 an hour? Today, we, the independents, in Jersey City do not feel the brunt of a strike. Because of our geographic situation in Jersey City and the way our bus routes are interwoven, Jersey City does not have a problem when there is a strike in Hudson County. If one line is on strike, the other line will pick up the slack. But when you have a State-owned transit system, it will paralyze New York City as well as New Jersey. You will destroy our whole system of government if you allow this thing to happen. Shame on you legislators if you allow this thing to happen to our State.

All I hear is condemnation. Your promises are not worth anything. You would throw us out of business after 60 years of hard work which I and my family have put in this business, and this is true of many other owners. You would destroy them. They got their permits for nothing. Give them back. Give the rail beds back and the mines and the oil fields. And I'll buy the State of Alaska. They bought that for \$10 million. I am sure there are enough bus owners out here to chip in and buy the State of Alaska back.

They say our permits are worth nothing. That is scarey. At least, give us some dignity. If you are going to buy us out, buy us out at a reasonable price. Let us go out with some dignity after 60 years of hard work. That's all we are asking. Help us so we can help you and don't drive us out of business. It will be the sorriest day for the State of New Jersey when you destroy the independent bus men of this State.

I will make it short, Senator. There are other speakers here. I could go on for a whole hour with statistics. I don't want to go over them. There are plenty of statistics that will be presented by other speakers. I will say adieu. If there are any questions, I will be glad to answer them.

SENATOR SKEVIN: Mr. Lefante, I respect your views. They come straight from the heart. I also respect the hard work you have done. I really appreciate your contribution today in terms of what this means to the independent bus driver and

the independent owner who have been a part of our American way.

I know that you have met with the representatives from Hudson County. Senator Sheil has mentioned the fact that he has had contact with your group. Also Mayor Smith has mentioned the meetings and the contacts. They respect your views and certainly will represent your views with us in Trenton.

Again, may I say I appreciate your remarks. They have meant a lot to me and I am sure they have to Senator Herbert.

I have no further questions.

Senator Herbert?

SENATOR HERBERT: I have no questions.

SENATOR SKEVIN: Mr. Fineberg. (Not present.)

Joan Fegiarillo. (Does not want to speak at this time.)

Henry Deutsch. (Not present.)

Doc Wagner.

L O T H A R W A G N E R: My name is Lothar Wagner. I own and operate Wagner's Tours Bus Lines. I am strictly a charter operator. I have nothing to do with transit in any other form than our charter operation. We do also operate a school business.

The thing that upsets me so much, Senator, about this Bill 3137 is the fact that, as I read it, you can take over charter operations and you can also take over school operations. The problem with this is that I don't think that the State drivers would put up long with the mentally retarded, the physically handicapped, etc. I think you are going to run into a lot of problems there. But, as one of the earlier speakers said, once you have made your bed, you are going to have to sleep it in. Then you are going to have to subcontract and the taxpayers are going to pay the difference.

Another thing that is way out of line is your cost accounting. If you destroy all the private operators who are now paying taxes, you are going to be supplying the State with tax-free fuel. People look at buses and trucks and say, "They think they own the highway." True, we do own that highway because we pay for it in mileage tax and fuel taxes. The State won't be paying a nickel. This is one thing the average taxpayer of the State doesn't look at. This is also true in the acquisition of property. It is going to be tax free. Suppose they acquire my garage - great - but who is going to give them the money that they are getting from me now? Where will the federal government get the income tax that they are getting from me now? The State is constantly running in the red and you don't get blood from a stone. All you do is stick your hand in the federal government's pocket to take more money to support the State.

This business is something that my family and I have been in for 32 years. And, according to this bill, it can be very easily destroyed through condemnation procedure or whatever. Thirty-two years ago this business was a \$3,000 business. This is what we purchased it for. We have built it into over a million-dollar business. Now are the people from the State going to come in and say, "We are going to give you x amount of dollars"? I wish Senator Herbert would answer this question. Is this the intent of the bill, to force private people out of business so that we can become - what shall I call it? - sort of a communistic or nationalistic state? Is that the intent of the bill?

SENATOR HERBERT: Are you making that a rhetorical question or do you want me to respond to it?

MR. WAGNER: I want you to respond to it.

SENATOR HERBERT: It is not the intent of the bill. In fact, there has been serious discussion on the whole role of charter and school bus lines. We met with the Commissioner on Monday and the Commissioner agrees that private charter buses will not be within the province of takeover in the bill. If, however, a subsidized carrier happens to have a few school bus lines or charter operations, that will become part of the State operation. However, we are not after a company like yours, not at all.

MR. WAGNER: But, Senator, it doesn't spell that out. This is left to conjecture.

SENATOR HERBERT: That is correct.

MR. WAGNER: This is what frightens me, this conjecture. If this were spelled out --- I am the Vice President of the New Jersey Motor Bus Association and I do represent the charter operators. This is the question all the charter operators are asking me: Find out.

SENATOR HERBERT: The very concerns that you have brought up here today will be the subject of amendments which will be submitted to the Committee in due course. We have talked about amending the bill and exempting the charter and school bus lines, specifically.

MR. WAGNER: As long as this comes to pass, I am quite sure the charter and school bus operators will ---

SENATOR HERBERT: I am not saying the amendments will pass. I am saying that they have been part of the discussions and may be offered. You have real concerns and we appreciate them.

MR. WAGNER: In other words, you are saying the bill may pass, but the amendments won't.

SENATOR HERBERT: I am afraid that this bill won't pass unless those amendments are in.

MR. WAGNER: Because otherwise it is the case of the tail wagging the dog.

SENATOR HERBERT: That is your characterization.

SENATOR SKEVIN: Thank you, Mr. Wagner.

Martin Specter.

M A R T I N S P E C T E R: I am Martin Specter, Director of Commuter Affairs, Marlboro Township, and also Vice Chairman of the Central New Jersey Transportation Board.

Before I read what I have, I would just like to read a statement of Mayor Goldzweig of Marlboro who can't be here today due to the ICC hearings currently being conducted in Marlboro.

(Reading)

"I am sorry I cannot be here due to the ICC hearings being held in Marlboro. However, I have continuously over the years called for improvements in mass transit. Many of these programs have come to fruition due to my efforts and the efforts of the Central New Jersey Transportation Board. I fully support their position on the State takeover of the subsidized bus carriers. Although I have in the past advocated the State takeover, I cannot endorse the current bill, at least not until it contains certain changes to better safeguard the interest of the commuters, specifically along the Route 9 corridor."

As far as my position goes, it is basically the same as other members of the

Central New Jersey Transportation Board. I am sure you have heard their position. We represent commuters along the Route 9 corridor.

First of all, I don't believe in New Jersey's mass transit policy. It must be better defined to include the commuter. I have read many of the Commissioner's statements and I think that all that is in there currently is to reflect the efficiency and what would be saved by the State takeover. While I would acknowledge as a result of the State takeover, we will eliminate waste in accounting, attorneys' fees and duplication of rates, I feel that the commuter must be given a stronger voice in the proposed corporation before we can endorse the bill.

If the State takeover Bill is to be given serious consideration, then the following questions have to be resolved before either myself or the Central New Jersey Transportation Board will endorse it: Specifically, we will request that the Senate Committee change the representation of the corporation to reflect the commuters, namely, that three members, not two, should be current commuters; that the State only have two members, the Commissioner and the State Treasurer; and that only those two people be allowed to vote. They cannot send representatives to cast their votes. In other words, what we are really saying is that the corporation, itself, should be placed in the hands of commuters so that we get our fair share. Heretofore, just to deviate for a second, the DOT has been totally unresponsive and insensitive to the commuter. This has been evidenced in the past, with the exception of, I would say, Commissioner Gambaccini.

Going back to my prepared statement, the appointed members must be both rail and/or bus commuters, none of whom are publicly or presently connected with the Department of Transportation, except for Commissioner Gambaccini. We will not accept any member of the COA to be on the new corporation. In fact, in the past, we have called for the scrapping of the COA into a body more representative of commuters.

I believe that the local advisory boards that appear in the bill are basically a sham. Without a vote, they are absolutely worthless. I would, therefore, again suggest that the advisory boards be given a vote and that they must be commuters, they must represent by percentage the county that they are in, and that they represent by percentage rail and bus commuters which is now not in the current bill. What we see is that there is an overemphasis right now in the Department of Transportation to the rail commuter, while three-quarters of the commuters are bus commuters.

It seems as though most of the money being spent in the subsidy program is for rails rather than buses. Yet the buses are where the bulk of the commuters are. It is wrong.

I agree that duplication of routes should be done away with and that efficiencies will result by a State takeover. However, why not start with the smaller bus companies first? Let the State demonstrate by taking over the smaller bus companies who handle roughly 15 percent of the ridership that they can, in fact, run a bus company. Right now, I am not sure they can, especially the way the DOT is now structured. Why start with TNJ, which is the largest bus company? I am not trying to say in any way, shape or form that I think TNJ is doing a tremendous job. They are not. In fact, as you folks probably know, we are right now in the midst of a complaint before the ICC for a 25 percent reduction for their service. Why not, first, for 18 months take over the smaller bus lines. Then after they see whether they can run them, take over, if necessary, TNJ. Perhaps TNJ should be

made to take over some of the routes that the other bus companies will be giving up.

Next is the current subsidy program. What is being done in the current subsidy program if this corporation does not become a reality? I have not seen - and I don't think there is one - a backup plan to this corporation.

SENATOR HERBERT: What plan?

MR. SPECTER: A backup plan. We have not seen one. And that scares me right now. What happens if this plan does not go through and if you on the committee vote not to endorse it? What is the Commissioner going to do? Right now, we are being given a "take it or leave it." And I am scared as a commuter and as a little bit more knowledgeable commuter. What do we do? If I don't take this proposed corporation, which I know will result in some efficiencies, but yet can't be in favor of it until some changes are made, what do I have? I have exactly what the Commissioner said we have: duplication of routes, 102 different carriers throughout the State ----

SENATOR SKEVIN: Mr. Specter, I don't want to interrupt your statement. It has been a good statement and you have made fine contributions. But I find a lot of what you say has been said before in terms of commuter participation, in terms of the approach that we need, in terms of backup. If you have anything new to add to the committee's hearing, I would appreciate it if you would get to that material. We are limited in time.

MR. SPECTER: The last point that I will make is that I think that before the committee votes pro or con on this that the Commissioner should be asked to put out a backup plan. I think that is absolutely critical.

SENATOR SKEVIN: That makes sense. With regard to backup plans, we do have several other proposals before our committee. I am not in position to give you the details of those proposals. But we will have backup plans and we will have alternatives. One of them may be to simply improve the present subsidy system rather than continue what we have now.

MR. SPECTER: If I can make one other point, we all admit that the current subsidy program is absolutely ---

SENATOR SKEVIN: It is not working.

MR. SPECTER: It is not working for the State or the commuters. If you are going to keep the subsidy program, you must put some incentives in it so that we, the commuters, get air conditioning in the summer and heat in the winter, on-time bus service and, when breakdowns happen, there must be a plan. In fact, I ask you to get ahold of the record now being taken at Marlboro and to read the complaint that we have filed before the ICC. I think you are going to find it quite interesting. That basically is our position.

I have one question. When will be able to see the possible rewrite of the plan to include some of the points that we have brought up?

SENATOR SKEVIN: The Committee is taking the bill up this Monday. We will consider amendments starting this Monday. I am not in a position to say that we will be able to conclude this Monday, but we certainly will start review of the amendments and policy considerations this Monday.

MR. SPECTER: Thank you very much.

SENATOR SKEVIN: Thank you. I have no questions. Senator Herbert?

SENATOR HERBERT: I have no questions.

SENATOR SKEVIN: Senator Gagliano?

SENATOR GAGLIANO: I have no questions. Mr. Specter is also a constituent of mine. I am glad to see him here. It is true, Marty, that Jack and Lou covered

many of your points. And many of the things you have talked about are being prepared in the form of amendments right now.

MR. SPECTER: I really hope so. You know our position.

SENATOR GAGLIANO: I do.

MR. SPECTER: We would like to support better transportation for commuters. I don't really care whether the State runs it or TNJ keeps it. Thank you.

SENATOR SKEVIN: Thank you. I really appreciate your comments.

I just want to make an announcement. We are on a time schedule and we have about 45 minutes left for about 6 or 7 witnesses who are lined up for us.

The next witness is Benjamin Bendit. I would ask that all witnesses remember that they have 6 to 7 minutes, but they don't have to use it all. If they can contribute something new, we would appreciate that new information rather than repetitive material. Thank you.

B E N J A M I N B E N D I T: Senator Skevin, I think some of the remarks made by other people were as eloquent as I could possibly make and I will try not to repeat what they have already said.

SENATOR SKEVIN: Thank you.

MR. BENDIT: Senators, my name is Benjamin Bendit. I am an Attorney-at-Law of New Jersey and I have been intimately involved in the bus industry all my life. My family has been in the bus business. They have been pioneers in the bus business. I have been an attorney and have represented at one time or another pretty much every independent bus company in the State. I am intimately knowledgeable about what valuations are because I have represented them when they have bought and sold buses. I am intimately involved in the operations and intimately involved in dealing with the COA and the DOT.

Senator, you introduced this as a bus takeover. It is far more massive than a bus takeover. It is a complete takeover of all mass transit in the State of New Jersey: limousines, taxis, school buses, regular routes, jitneys, minibuses, van pools. And you are asking the State of New Jersey, which for ten years has had the opportunity to regulate subsidized carriers, to take over the industry, in which they have no experience, in which they have no knowledge and which they haven't properly controlled to this very time.

The State of New Jersey has been giving away hundreds of millions of dollars in ten years without one regulation detailing in what manner the buses should be run - the operations. Recently, after ten years, they have now formulated some regulations and they are not even sure how that should be put into effect.

SENATOR SKEVIN: Could you tell me when those regulations were issued, Mr. Bendit?

MR. BENDIT: Senator, in ten years, there were no regulations.

SENATOR SKEVIN: The regulations you just mentioned ---

MR. BENDIT: They never came out. They were supposed to come out in May; they never came out. We were told, "We are getting around to do some more work on them." For ten years, the COA and the DOT had within their power under the present statutes the right to do what they are asking to do now. Under 27:1A, Title 48, they have the right to regulate the carriers. They have the right of fares. They have the right of routes. They have the right to put new service in. They have the right to stop service. They don't know the business; so they are unresponsive.

I am not saying that these aren't sincere people. But they are young lawyers

out of law school or people who have been taken from other places who were put in jobs about which they know nothing. They try to do the job. But they don't have enough people. They spend more time in conferences talking about what should be done than doing it. When we have meetings with them, we get no response. When we make recommendations, we get no response.

The State of New Jersey has spent millions of dollars in studies. The one that Simpson and Curtin did was only one hundred and twenty. There was one by Cross-Wilbur. There are literally shelves of studies. Mr. Gambaccini, himself, said, "I have had enough studies." Nothing has been done with the studies because they don't know how to implement them. They are asking to take over the entire mass transit system without any experience. How are they going to implement the kind of power you are going to give them? This is going to be the largest bureau in the State of New Jersey.

You started a public advocate system years ago. When I was in the Prosecutor's Office under Governor Byrne, there were twelve of us. The population has not risen in New Jersey. You have now in Essex County 52 Prosecutors and 150 Public Advocates. You created the public advocate system. You are a lawyer, Mr. Skevin; look at your advance sheets. Half of those advance sheets are appeals by the Public Advocate. You have created bureaucracy upon bureaucracy, resulting in more and more taxes; and we don't get what the State says we are going to get. This is no panacea.

Now, let me talk about valuation. Senator Herbert, you talked about \$25 million. That is naive. I'll tell you why. One route in West Orange has a going value of \$100,000. The South Orange Avenue Line was purchased from TNJ for \$300,000. If you think that the Fifth Avenue Coach Case is not applicable to the State of New Jersey, then I think, Senator, you should refer this to the Attorney General and ask how much was paid for the Fifth Avenue Coach. The gentleman from Simpson and Curtin gave you some indication. You are paying for goodwill. You are paying for the training of the drivers. You are paying for physical assets. Twenty-five million dollars won't even touch the physical assets. You are talking in terms of hundreds of millions of dollars to take over. And that is just taking it over. I am not talking about the legal fees, the condemnation, the years you will be in court discussing just the takeover.

Now, what disturbs me most is this.

SENATOR SKEVIN: Mr. Bendit, could I interrupt a moment. In view of your background, could you give us an approximate figure on a takeover, a realistic figure?

MR. BENDIT: Senator, you are talking in excess of \$100 million, not for the physical equipment, but in excess of that. Let me give you one little example. One small route was sold from Oakland, Wyckoff, and Franklin Lakes, in your area. This short route, itself, not the buses - but this commuter route that is now operating very profitably and very well by a small company, Leisure Lines - was sold for \$90,000. That is just one small route.

I could name three or four companies that were on subsidy and went off subsidy. Hudson went off subsidy and Grogan went off subsidy because it just doesn't work. You get no response from them. You can't work with them because you don't know the rules and regulations.

Senator, you are talking in terms of hundreds of millions of dollars because you are taking over not only the bus companies, but you are taking over limousine

companies. Do you know how many limousine companies there are? I can give you the names of 70 small limousine companies. There are 20 big ones. You are talking about school contracts that have been in existence for many years. You are talking about a network of transportation that involves schools, that involves taxis, that involves jitneys, that involves regular routes, that involves charter routes, that involves ICC routes, that involves goodwill, that involves training. It is naive to think that a bus driver is going to be more courteous because he works for the State of New Jersey than if he works for TNJ or any other bus company. Quite to the contrary, a small bus company can fire a driver. Can you imagine what it is going to take to fire a driver who works for the State and is under civil service? Can you imagine the crippling strike that could result if you had one union in New Jersey?

Senator, the DOT and the COA have the power within the present legislation to do everything they ask for. They can promulgate rules and regulations under 27:1A. They took over the PUC's authority. Those statutes give the State the right to do everything that they suggested has to be done. They don't need anything further. They haven't exercised the powers that they have.

Senator, I don't have to talk about bureaucracy - you know about it. But just take a bus in New York City, go into a garage of MTA - and Mr. Lefante is right - and you will see 25 percent of those buses are out of service. Look at what the garageman gets paid in New York State. Look at what happens when they go on strike. These are things that you should open your eyes to. Don't look at the statistics. Go outside, look at the MTA, get on those buses and see the way the drivers treat you. They are protected because they are employees of a bureaucracy and there is nothing you can do to fire them.

What frightens me more than anything else in this bill is one little line. Maybe it is because I was born and bred on free enterprise and competition. The Act, itself, not only gives you the power to take over everybody, but it says that you may pass legislation for reasonable limitations on competition. What is Doc Wagner going to do when he pays \$100 thousand for a bus and has to send it to Atlantic City for \$250 and the public corporation that has that bus in the garage says, "We'll send it out for \$100"? He's out of business. Not only do they want the industry, they want the power to take everybody else out of the industry. Once that happens, free enterprise in the State of New Jersey is gone.

One more point: I don't know whether the State of New Jersey is going forward or backward. You have been told by the people of the United States in Proposition 13 that they want deregulation. Let's get out of private industry. The City of Newark is now thinking of contracting out with private carriers their garbage. It just doesn't work. You know it doesn't work. I know it doesn't work. There is no response from bureaucrats because you can't get them and, when you do get them, they tell you to call somebody else who is in charge of that department. But I will tell you this from being in this business for 30 years and from growing up in it, my father worked 100 hours a week. You call right now at ten after six, you will find the bosses - the Capitanis, the Castors, the Tidessas - in their garages now working. Call the State of New Jersey and nobody is there.

SENATOR SKEVIN: Nobody is there.

MR. BENDIT: The best thing to do is to improve the system that can work. And you have the mechanics to do it. You have the legislation. You have the regulatory power. Do it within the statute that presently exists. Don't look for a panacea.

The State is not the answer. We have found in the United States that the best answer is private industry. You give a man a profit motive and he will work. When he gets paid whether he works or not, he doesn't work.

SENATOR SKEVIN: I appreciate your remarks. They were very fine remarks, Mr. Bendit.

I don't know whether anyone has any questions. Senator Herbert?

SENATOR HERBERT: No questions.

SENATOR SKEVIN: Senator Gagliano?

SENATOR GAGLIANO: No questions. That was a very good statement.

SENATOR SKEVIN: We have had a request from a Salvatore Giarratano, of 231 - 64th Street, West New York. I am going to interrupt our regular schedule to ask Mr. Giarratano if he would make a brief statement. We are limited by time, Mr. Giarratano, and the reason why I have taken you out of the ordinary order of witnesses is because I am a native of West New York and I lived a few houses away from your home for many, many years. So if you could limit your remarks, we would appreciate it very much.

SALVATORE GIARRATANO: I certainly shall limit them, Senator.

SENATOR SKEVIN: Not just limit your remarks, but if you could add something new, we would appreciate it very much. We have heard a lot of repetition here today and we would like to hear something new.

MR. GIARRATANO: I don't know how much I can add. It was not my intent to add anything. I wanted to ask a question as to what you will gain by the passage of this bill. I am not thoroughly informed as to the bill, in general. I am here as an individual commuter and taxpayer living in West New York since 1970 and generally taking the buses on Bergenline Avenue from about 65th Street to 48th Street.

SENATOR SKEVIN: Do you take a Boulevard bus to New York, 165 or 166?

MR. GIARRATANO: Seldom.

SENATOR SKEVIN: How do you find the service, Mr. Giarratano?

MR. GIARRATANO: Not very good on either avenue.

SENATOR SKEVIN: Is there air conditioning in the summer?

MR. GIARRATANO: Half the time. In fact, one time I asked the bus driver one of those hot days about two or three weeks ago, "What's the matter - isn't the air conditioning working?" He said, "I don't put it on until somebody asks."

SENATOR SKEVIN: Do you know to whom to complain?

MR. GIARRATANO: The company, I guess.

SENATOR SKEVIN: All right. Suppose the State took over. Do you think that things would run better?

MR. GIARRATANO: I wonder. It might run better. But if I had a complaint would I have somebody to call like I do at TNJ? Even with all its faults, at least there is somebody you can call during business hours. Also, there is somebody you can call after business hours for the route schedules. My experience with other governments, not the State of New Jersey, but with the State of New York and with the federal government - I was a federal employee - has been that there is nobody you can call about some problems.

SENATOR SKEVIN: Nobody is there to solve them.

MR. GIARRATANO: There is nobody you can even call.

SENATOR HERBERT: Have you ever called a public servant, your mayor or a councilman or your State Senator?

MR. GIARRATANO: I haven't had a problem, Senator.

SENATOR HERBERT: Hopefully, if the State has charge of the bus lines, the

guys you vote for might respond to your request rather than a bureaucrat because, if they don't, you can vote them out of office.

MR. GIARRATANO: I understand that. But there should be at least one bureaucratic source anyway.

SENATOR HERBERT: The Senator could call the bureaucratic source for you. I would expect a public servant to respond to your request.

MR. GIARRATANO: Senator, wouldn't it be better if I were to call the State Office first during the regular business hours. Are they 9:00 to 5:00? Aren't they the regular business hours of the State for an executive office?

SENATOR SKEVIN: 4:30.

MR. GIARRATANO: 9:00 to 4:30?

SENATOR HERBERT: 9:00 to 4:30.

MR. GIARRATANO: If there were any kind of business hours - 9:00 to 4:30 will do - when I could call a bureaucratic office or an office of the Executive Department first, it might be resolved. Then if it is not resolved, to go to a legislative representative, is the most efficient system I know of from a layman's standpoint. But to have no executive office at all and call you people first would be intolerable.

SENATOR SKEVIN: Mr. Giarratano, do you use the bus system in New York?

MR. GIARRATANO: Yes. I was born and raised in New York. I lived in New York about three-quarters of my life and the rest in New Jersey. I lived in West New York from 1970 until now and I lived in Ridgefield Park for 18 years. So I am very familiar with the Boulevard service.

SENATOR SKEVIN: So you are familiar with both systems, New York and New Jersey?

MR. GIARRATANO: Yes, sir.

SENATOR SKEVIN: Do you find one better than the other?

MR. GIARRATANO: I really can't say. They are both bad.

SENATOR SKEVIN: They are both bad?

MR. GIARRATANO: Really bad. I am saying that advisedly. I am not saying if for effect because I am here before a Senate Committee. Generally speaking, over the years they have been bad and have been getting worse.

SENATOR SKEVIN: You find no difference between the New York system and the New Jersey system?

MR. GIARRATANO: I don't. I still use New York subways and buses. It happens now in my new job where I have to use the buses more than the subways in New York.

SENATOR SKEVIN: We have the sponsor of the bill right here, Mr. Giarratano, if you want to ask him the intent of the bill, I am sure he will give you a quick response.

SENATOR HERBERT: That is why I gave you a copy of the bill.

MR. GIARRATANO: On Bergenline Avenue between 65th Street and 32nd Street, we have the following bus lines, running north and south: Interstate to New York, there is Number 61 TNJ. Then there is the Orange and Black. There are three or four of those routes. One goes to Fort Lee; the others go to two or three different terminals. They are all Orange and Black running on Bergenline. Now, intrastate in New Jersey, to Jersey City, there is Number 44 TNJ. Intrastate, to Hoboken, there are Number 21 TNJ, and Number 19-26 TNJ. Finally, there is Number 22, an independent, and it has about two routes. One is marked Hillside and the other Hoboken. The Number 22 charges 35 cents. The lowest fare on any of the others, even intrastate,

to the local points is 45 cents. My concern is that of a layman standing on a corner waiting for a bus. In what way will your bill ameliorate my problems as far as schedules are concerned and as far as the fares are concerned? We have been getting five-cent increases every year or two from most of the lines.

SENATOR HERBERT: In the preamble of the bill, it says that the operation and improvement of a coherent transportation system in the most efficient and effective manner ---

MR. GIARRATANO: Where is that?

SENATOR HERBERT: Look at Section 2, line 8, starting with (b).

MR. GIARRATANO: "As a matter of public policy ---"?

SENATOR HERBERT: Correct. You can read that yourself. That is my response to your question.

MR. GIARRATANO: I want specifics. This is a very general statement.

SENATOR HERBERT: I can't read the whole bill to you.

MR. GIARRATANO: Can you pick out the most salient benefits.

SENATOR HERBERT: It sets up a corporation of five members which shall coordinate, operate or take over any subsidized bus lines that are presently operated. We hope eventually to provide coordinated and coherent service to the people of New Jersey. Basically, that is what the bill is intended to do.

MR. GIARRATANO: Are all fares frozen at what they are?

SENATOR HERBERT: No. The corporation will set fares.

MR. GIARRATANO: This is another example of what began about 40 or 50 years ago with the Port Authority where the Legislature delegated its authority to a public authority?

SENATOR HERBERT: Actually it is a little different. That is a public authority with its own entity. This will provide more executive support. We hope it will have participation by commuters and members of the public. The Legislature will have input so far as appropriations for the transit corporation is concerned. And the Governor has direct power to veto minutes of the corporation. So it will have a lot more public control than the Port Authority, which operates under its own fees, tolls and subsidies.

MR. GIARRATANO: But this is a corporation with a board of directors.

SENATOR HERBERT: That is correct.

MR. GIARRATANO: Who is going to appoint the board of directors?

SENATOR HERBERT: It is provided for in the bill.

MR. GIARRATANO: Does it say, public member, Democrat, Republican, and all that?

SENATOR HERBERT: No. Hopefully, politics won't be in it.

MR. GIARRATANO: All representing the public?

SENATOR HERBERT: Yes.

MR. GIARRATANO: Now, from a technical standpoint, because of expertise?

SENATOR HERBERT: Well, we are discussing whether or not commuters should be members.

SENATOR SKEVIN: Mr. Giarratano, ---

MR. GIARRATANO: One last point: I would like to know whether there shouldn't be some representation on the basis of the great new spirit toward consumerism, not just on the basis of expertise. Expertise is understood. How many members will there be?

SENATOR HERBERT: Under the provisions of the bill presently, five.

MR. GIARRATANO: Somebody says seven.

SENATOR HERBERT: No. We are going to submit an amendment to make it seven.

MR. GIARRATANO: Five or seven - I don't want to see five experts on that board. I had a bellyful of Robert Moses here, the greatest expert who half destroyed the city. He was an engineer, remember?

SENATOR HERBERT: Sir, we would be very happy to enlighten you on the bill. This, of course, is a hearing.

MR. GIARRATANO: What I am advocating is two members from the consumer side.

SENATOR HERBERT: That has been provided for by some of the amendments.

SENATOR SKEVIN: Thank you.

MR. GIARRATANO: I am sorry I took so much of your time.

SENATOR SKEVIN: We thank you for appearing, Mr. Giarratano. I know what you were referring to, the promises made years ago to eliminate the tolls on the bridges and the tunnels. And, of course, we have had something in the other direction instead of the elimination of the tolls. I know what you mean.

Mr. Murray Dryer.

M U R R A Y D R Y E R: Unfortunately, gentlemen, you are working under a tremendous handicap. You are Senators and elected officials, and your track record in the country from the President on down on any task you have undertaken has been exceptionally poor. We have no confidence in the leaders. As elected leaders, you have shown actually no ability. So when the people hear that the State is going to take over something else, they see nothing but a fiasco because they have seen fiascos in the past and they are frightened. They are rightly frightened because as they look around, our country is falling down around our ears from all the elected officials, not because of the man on the street likemyself. We pay our taxes and the governmental elected officials find ways to get rid of it so that we don't benefit at all; not only don't we benefit, we wind up with tremendous problems.

Now, the main thing I would like to know is: Who bought the last batch of new buses for the Transport of New Jersey? Whoever did must have either been blind, sick or made an awful lot of money on the deal. You cannot read a paper by the lights in the buses because they are way back over your shoulder. If you sit in the back seat, there are no lights at all. They used to have an emergency door on the side that could be opened in case there was a problem and you could leave. Right now, there are windows and, if there was an accident on the bus, with the elderly people and others, I would say 50 to 70 percent of them could not get out. These buses are small. The air conditioning doesn't work. Yet you bought these buses by the hundreds. Somebody from the State bought these buses.

SENATOR SKEVIN: Mr. Dryer, may I interrupt a moment. We are here to consider a proposed takeover of the transportation system of New Jersey. We have a limited time schedule. Your remarks about the buses will be considered. There are representatives here from the Department of Transportation and I am sure they will bring your remarks to the attention of the Commissioner of Transportation ---

MR. DRYER: Can you find out who bought the buses?

SENATOR SKEVIN: --- as far as who bought the buses and your complaints. If you could limit your remarks to the bill, itself, I would appreciate it very much.

MR. DRYER: I am definitely against the State being involved in any manner, shape or form in this because of the very poor record that we have had here in

New Jersey. Any State venture whatsoever that has been undertaken winds up as a pot for the ones who are elected.

SENATOR SKEVIN: A bureaucracy.

MR. DRYER: I am definitely against it all the way.

SENATOR SKEVIN: We understand your feeling. We appreciate your remarks, Mr. Dryer. Thank you.

Thomas Rodgers. (Not present.)

Helen Tyrrell. (Not present.)

Henry Deutsch. (Not present.)

Inez Dey. (Not present.)

Frank Antman. (Not present.)

Is there anyone who requested to speak who has not been called to testify?
(No response.)

That will conclude our hearing today. Thank you very much for your attention.

(Hearing Concluded)

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May 20, 1979

Statement to the New Jersey Senate Committee
on Transportation and Communication

by: Martin B. Brilliant

representing The Committee for a Better Environment, Inc.
P. O. Box 209, Holmdel, N. J. 07733

on: S. 3137, the New Jersey Public Transportation Act of 1979.

This written statement supplements my oral statement of April 4, 1979. It is based on further study of the bill, study of documents provided by the New Jersey Department of Transportation (NJDOT) (consisting of reports issued in January, 1979, and testimony to your committee by Commissioner Gambaccini), discussion with NJDOT officials (Peter D. Sakals and Elton Clark) at a meeting of the directors of the Committee for a Better Environment (CBE) on April 24, and further discussion at a CBE general meeting on May 12 and a CBE directors' meeting on May 15.

The Board of Directors of the Committee for a Better Environment voted on May 15 to recommend that New Jersey should not form a public corporation to administer the state's transit system, and should not take over any private transit companies, until a state-wide transportation master plan has been developed.

To meet the needs of the transit system at the present time I recommend that S. 3137 be amended to delete all reference to the New Jersey Transit Corporation and give some of its powers, specifically the authority to make contracts on unrestricted terms, to the New Jersey Department of Transportation. Specifically this amendment would delete (referring to the printing of February 26, 1979) Section 2, paragraph e; Section 3, paragraph a; and all of Sections 4, 5, 10 through 20, and 22 through 27; in the remaining sections, substitute "Department of Transportation" for "corporation" everywhere; in the first few lines of Section 8: substitute "contracts" for "fares and

service"; delete "directly or through contract"; and substitute "retain" for "resume"; also delete from Section 28 the clause referring to Section 25. This will leave the text a bit awkward in places but will convey the intent that by entering into a service contract, or by supplying service itself but without taking over an existing enterprise, the NJDOT may gain freedom from the constraints that it now finds so intolerable.

The remainder of this statement is a discussion of my own understanding of the transit problem as a background for the position taken by the Committee for a Better Environment and for the suggested amendment to S. 3137. It deals with three topics: a perspective on the present situation, some suggestions for what NJDOT could accomplish with broader authority short of the power to acquire existing carriers, and a specification of what kind of planning is needed before public acquisition of carriers could be considered as potentially beneficial.

The Present Situation

You have been told by Commissioner Gambaccini that "Our subsidy program has failed because of the inherent underlying conflict of public and private interest. The public goals are the best quality service at the lowest possible cost. The private goals are, understandably, to earn a profit." I believe this to be a false analysis of the facts.

The subsidy program failed for two reasons. The first and most obvious is that it was established in 1969 as a one-year program that was never intended to succeed as a long-term solution. It remained in operation long past its intended termination primarily because NJDOT never completed the transportation plan that was supposed to be one of the conditions for replacing the stopgap program with something more suitable.

The second reason for failure of the subsidy program is that NJDOT did not make use of the inherent strengths of the free enterprise system. The private goal is understandably and

predictably to earn a profit. A private enterprise in a market in which it can earn a profit by delivering a useful product or service can be expected to do so without prodding. If it can increase its profit by reducing its operating costs it will do so. If it can increase its profit by winning a larger share of the market it will do so. But the terms of the subsidy program gave private enterprise none of these opportunities. In particular, profit was prohibited. Instead of allowing private carriers to seek profits by providing services for which the public was willing to pay by a combination of fares and public payments, NJDOT attempted to peer inside the operations of the private carriers to identify legitimate costs. Understandably, this attempt has failed.

One more aspect of the analysis deserves comment. NJDOT has not done enough planning to be able to determine how to provide the best possible service at the lowest possible cost. It has attempted primarily to reduce costs. Criteria for service quality have been implemented only to the extent that they are mandated by federal laws and regulations as conditions on funding by the Urban Mass Transit Administration (UMTA). It is instructive indeed to note how the federal government has succeeded in making service criteria attractive as a condition of receiving money, thereby imposing these criteria on the states; but the state of New Jersey has not been able to use similar means to make service criteria attractive to private carriers.

How Will Broader Contract Authority Help NJDOT?

The intent of NJDOT is that the New Jersey Transit Corporation would enforce its service standards by threat of public acquisition of an uncooperative carrier. Without this authority, NJDOT would have to work harder to achieve public transit goals. Private carriers have suggested that new kinds of service contract (new, that is, to New Jersey) would help improve service. One type is the incentive subsidy, a contract that would allow a carrier under contract to retain a profit if it met certain standards. Another type is a contract

to provide service on specified routes, which could be bid for by competing carriers, rather than a contract to support a particular company to continue to provide the services it has provided in the past. Both of these types of agreement, in different ways, would enable private carriers to do independent operations planning in furtherance of public goals.

Admittedly these means would not provide the quick solution that Commissioner Gambaccini seeks to the problem of the pension obligations of Transport of New Jersey. However, it is doubtful that legal authority to acquire TNJ would lead promptly to acceptance of these obligations by Public Service Gas and Electric Company. Prolonged negotiation and litigation can be expected if this course of action were to be attempted. If indeed these obligations by TNJ are so irrelevant to its service costs that other carriers without such obligations could provide service more cheaply, a much simpler resolution of the problem is at hand. Simply parcel off selected route service areas now served by TNJ and award a contract for service in each area to the carrier that demands the least subsidy.

By making use of broader powers of contract-making, NJDOT could gradually convert its subsidized operations into a form in which it does not have to concern itself with the details of how each carrier keeps its books, but can concern itself instead with needs and results. This gradual process can be carried out even before a master plan is completed, and in the process NJDOT will learn about transportation planning.

What to Plan and Why

The reason for having a master plan is to have a guide for decision-making. Imagine the problems of a public transit corporation at its beginning. It must know how much capital will be available to it in the first year, and later years, and must know what it must invest in first. It must anticipate the kinds of operating problems it will have, such as routes with few riders, demands for new routes and changed schedules, or

complaints of poor service; and local managers must know how to make judgments about how to deal with these problems in a manner that is consistent with overall goals and fiscal limitations: when should one consider dropping a route, marketing a new route, retiring or repairing old equipment? Policy guidelines must be available for rate setting, accounting, marketing, purchasing; some decisions must be made locally, some services will be provided by centralized departments. In this view the essence of a plan is not a specification of what is to be done with each route and each area in advance, but an ordered collection of goals, objectives, and methods. An essential element of a planning document to meet this need is practicality: immediate problems must be recognized realistically, and the proposed solutions must look good to the people who will implement the plan.

Existing transportation planning documents meet some of these needs. The Tri-State Regional Planning Commission has a document titled Maintaining Mobility, first issued in 1975 and revised in 1976, that has a good general treatment of goals and objectives. This treatment must be modified for New Jersey because this document centers on the problems of New York City and the region surrounding it, and does not deal in depth with the problems that are special to New Jersey. The plan then continues to catalog projected actions for the five-year period 1977--1981. A complementary approach is taken in Monmouth County's Transportation Development Plan, issued in 1978. The substance of this document is a realistic appraisal of current problems. A good master plan for New Jersey would contain elements of both types of plan, and would in addition include guidelines for decision-making.

The New Jersey Department of Transportation has laid the foundation of a master plan in its report dated January 9, 1979, by listing four essential unanswered questions (page 19):

- How much public transportation should be provided?
- Who should own and operate the transit services?
- Who should pay for it?
- How should the money be raised?

The final answer to at least some of these questions is the prerogative of the Legislature. However, it is obviously the responsibility of the Department of Transportation to provide technical analysis and recommendations for all these questions. That technical analysis, and the detailed recommendations, if done realistically with full consideration of the day-to-day problems of transit operation as well as its ultimate goals, will constitute a master plan for transportation.

When such a master plan has been completed we will have nothing to fear from public acquisition of the transit system; but then, public acquisition may not be necessary.

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