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REPORT

of

COMMITTEE ON TRANSIT PROBLEMS

on

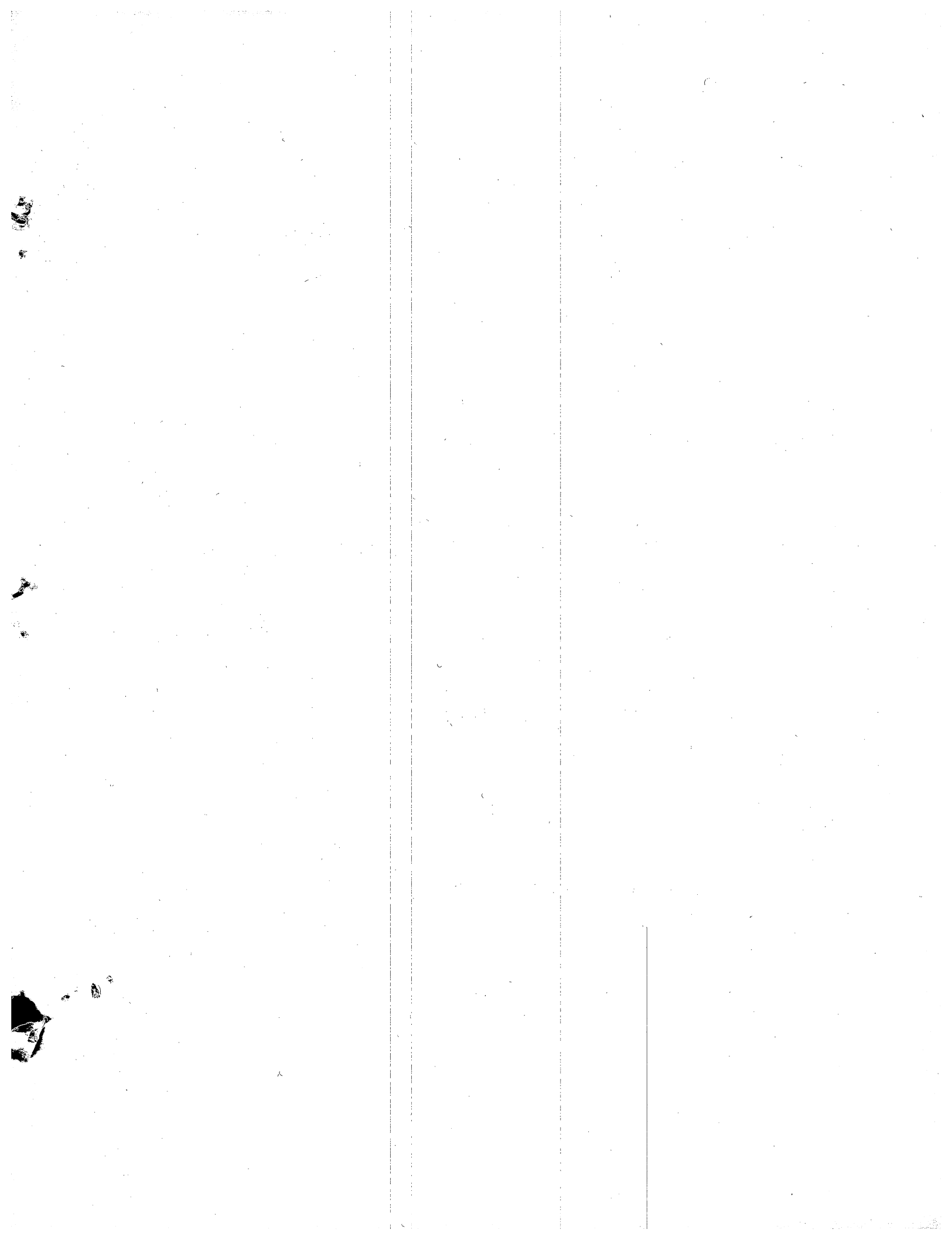
ASSEMBLY BILL NO. 692 (1959)

to

HONORABLE WALTER H. JONES  
Senator, Bergen County

August 27, 1959

New Jersey State Library



August 27, 1959

The Honorable Walter A. Jones  
15 Main Street  
Hackensack, New Jersey

Dear Senator Jones:

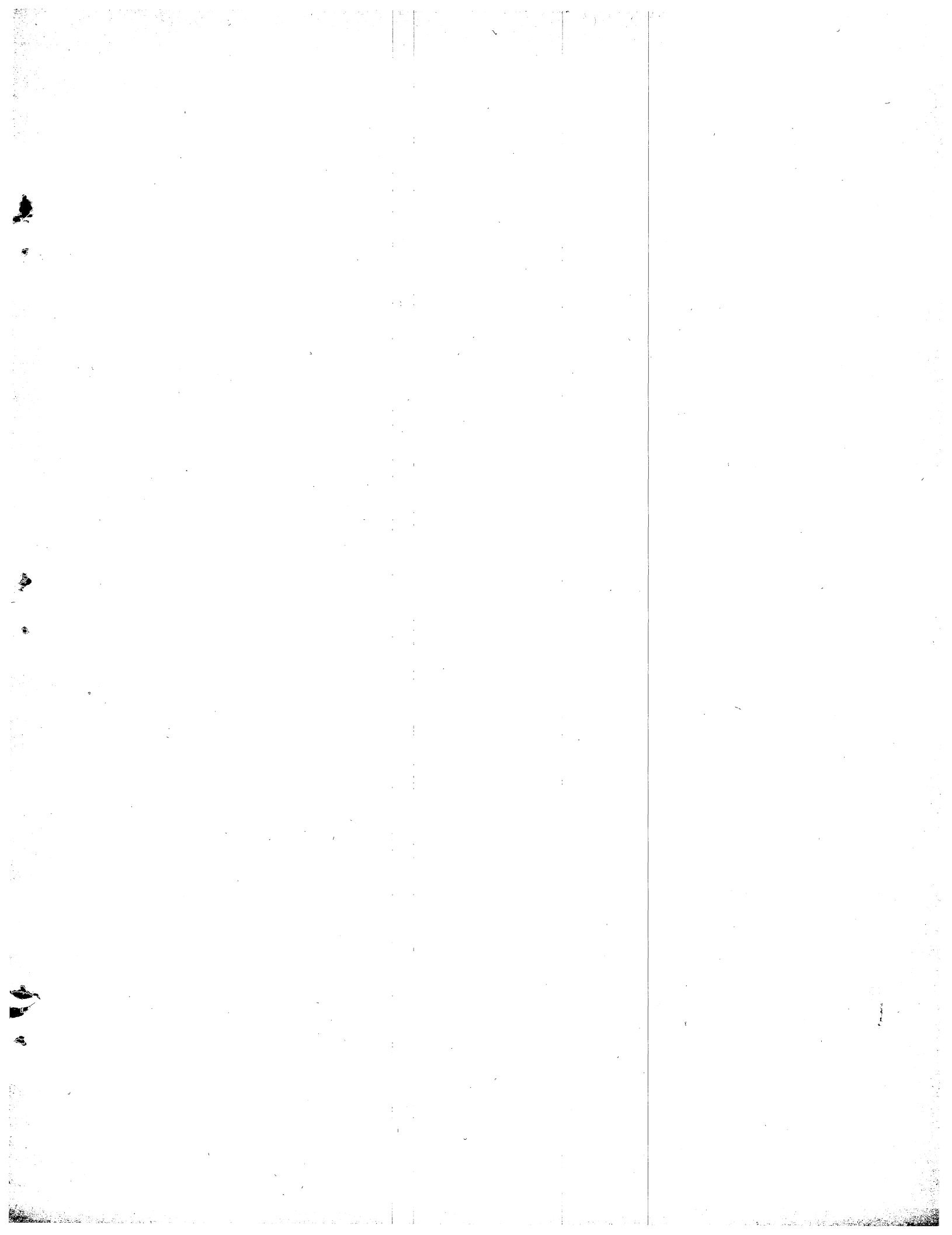
You have asked us to advise you whether to vote "yes" or "no" on Assembly Bill No. 692, which has for its purpose the providing of a means for meeting transportation problems by obtaining certain revenues of the New Jersey Turnpike Authority.

The following members of the Committee believe you should vote "yes" on the Bill in its present form: Messrs. Jess H. Davis, Edward J. O'Mara and David Van Alstyne.

The following members of the Committee believe that you should vote "yes" for the Bill provided it is amended to include certain limitations concerned primarily with either the total amount of surplus revenues to be paid to the "transportation fund" or on the number of years the "transportation fund" would receive surplus revenues from the New Jersey Turnpike Authority: Messrs. Alfred E. Driscoll (see accompanying report); Milton C. Lightner (see accompanying letter); John S. Linen (see accompanying letter); Leon S. Milmed (see accompanying report); E. Merrill Seaberg (see accompanying report); Thomas T. Taber (see accompanying letter); Paul Troast (see accompanying report) and Forest K. Van Horn (see accompanying letter).

Judge Del Mar suggests that you vote against the Bill. If, however, you feel the Bill should be supported, the Judge then suggests that the Bill be first amended. With respect to amendments, he calls your attention to the report of Governor Driscoll, Mr. Milmed, Mr. Seaberg and Mr. Troast.

On August 12 the Committee met at luncheon, electing J. H. Davis as Chairman and Leon S. Milmed as Secretary and Counsel. Mr. Davis appointed sub-committees to study various phases of the problem -  
(1) Turnpike Revenues; (2) Bond Exchange; (3) Railroad Needs;  
(4) Commuter Problems.



On August 19 the Committee met to receive the reports of the sub-committees. Following these reports, Commissioner of Highways Dwight R. G. Palmer and three of his associates, William Morgan and George McKelvey, Financial Advisers, and Henry Russell, Bond Attorney, entered the meeting. A general discussion and question-and-answer period took place. Many points were clarified and developed.

The Committee met again on August 25 to further discuss its studies and to arrive at a decision concerning its report to you.

The idea of diverting the funds of such a successful agency as the New Jersey Turnpike Authority is distasteful to all members of the Committee but this State is confronted with a most serious problem in keeping the commuter trains in operation. If this problem is not solved - and immediately - the loss in job opportunities and real estate values will be so great as to be unthinkable. Therefore, the need for a positive course of action transcends all philosophies of Government.

For the past thirty years many reports have been made and many plans proposed to solve the commuter problem. All have floundered on the same rock - the paramount need for money. The plan proposed by Assembly Bill No. 692 produces this essential ingredient - money.

Without discussing the specific amount of surplus revenue that can be supplied by the New Jersey Turnpike, the Committee believes that the amount will be sufficient to make considerable strides towards helping to solve the State's most pressing problem.

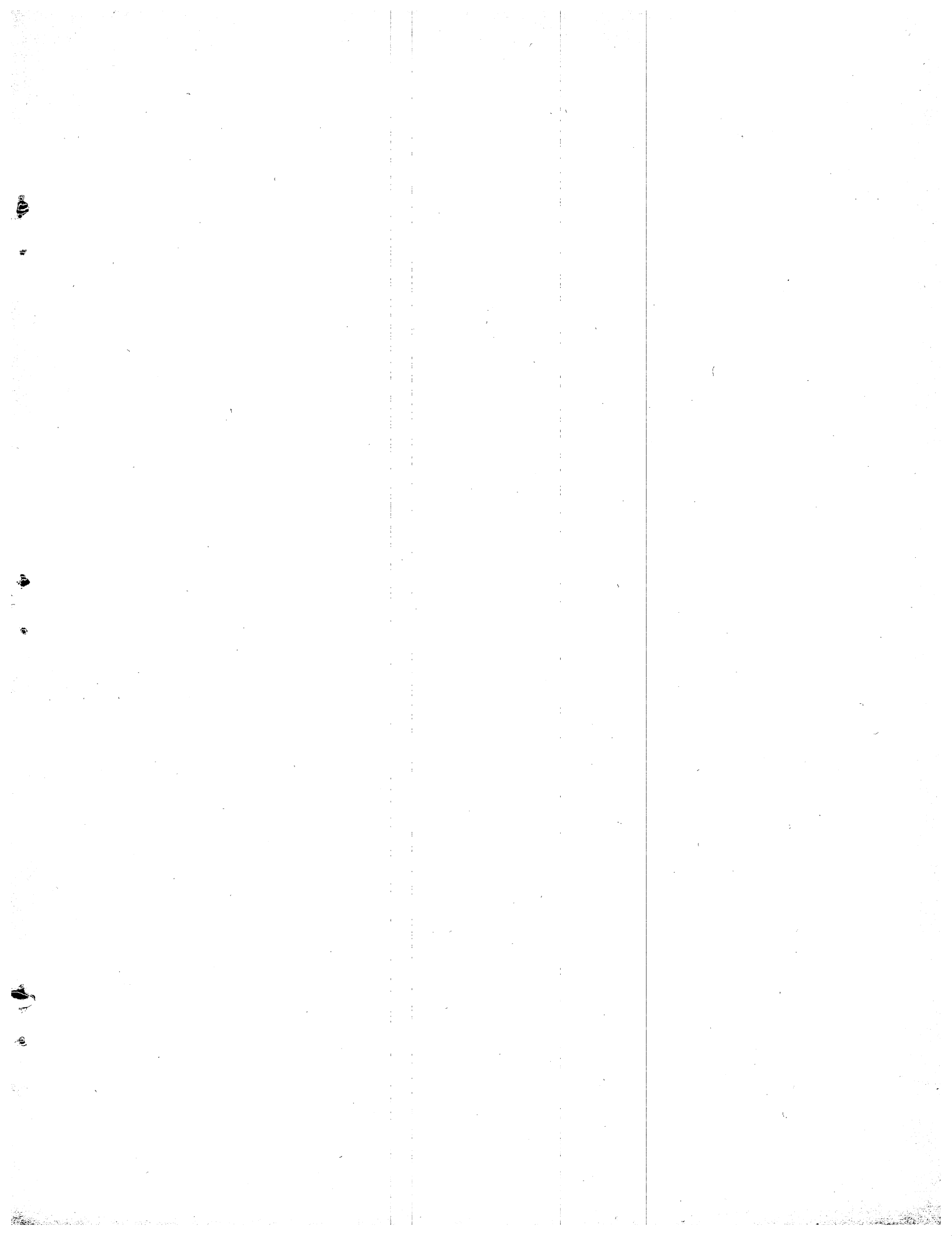
The fact that no part of the Fund provided under this Bill can be spent without the approval of the Legislature should be a sufficient safeguard to see that the monies are spent wisely.

Accompanying this letter are pertinent reports of the sub-committees, letters and reports expressing opinions by some members of the Committee including an analysis of the Bill together with some recommended changes prepared by Mr. Milmed, all of which, it is hoped, you will find useful in your personal study of the Bill.

It has been an interesting and profitable experience to serve on this Committee.

Respectfully submitted,

*Jess H. Davis*  
Jess H. Davis, Chairman  
Committee on Transit Problems

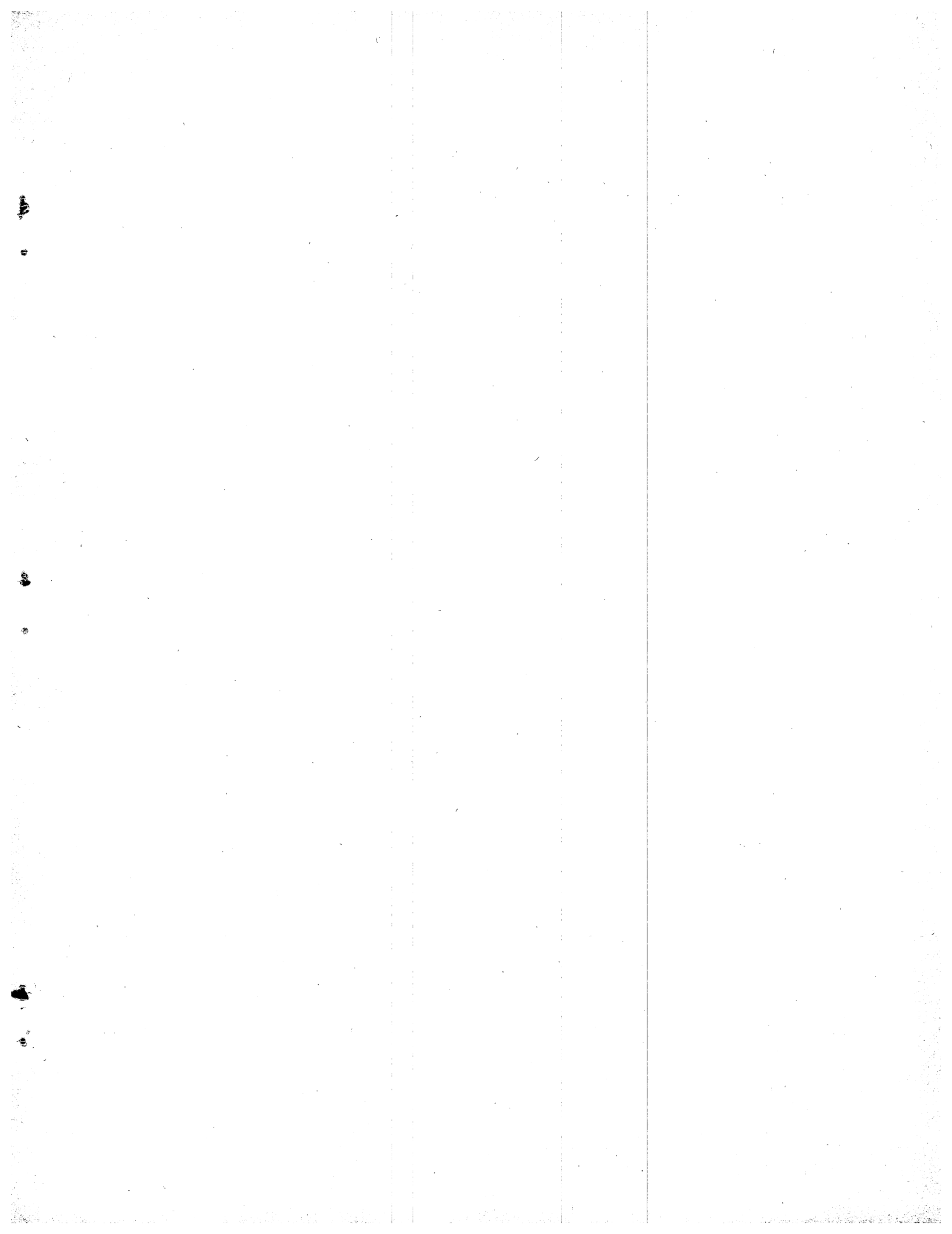


TO: Senator Walter H. Jones

SUBJECT: Report  
of  
Alfred E. Driscoll,  
Paul L. Troast,  
E. Merrill Seaberg, and  
Leon S. Milmed, Counsel.

on  
Assembly Bill No. 092

August 27, 1959.



To: Senator Walter H. Jones

At your request, we have undertaken a review of Assembly Bill No. 692 now pending for consideration by the State Senate. You have asked that we report to you with our recommendations by August 31st, the date when the Senate will meet to consider the measure.

This Bill was proposed by the Division of Railroad Transportation in the State Highway Department as a means of meeting the transportation problems confronting our citizens. The immediate and underlying announced purpose of the Bill is to provide a means for meeting the needs of our commuting population for adequate and improved railroad transportation services and facilities and reducing the threat of abandonment or further curtailment of commuter service by railroads engaged in providing such service. This basic objective of the legislation is sound, in the public interest, and has the utmost sympathetic understanding and consideration of each member of our Committee. We submit the following report of our study of the measure. The limited time we have had to study this vital issue and explore all of its ramifications - particularly in view of the fact that we have been confronted with changing statistics and proposals - has made it difficult for us to reach definitive conclusions.

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The program advanced by the Division of Railroad Transportation proceeds on the premise that railroads are today sustaining "operating losses" beyond their capacity to cope with this problem without State assistance. We have been unable to obtain adequate supporting data which would demonstrate the extent of such deficits, if any, incurred by railroads in the combined operation of their passenger and freight services as a unit; nor adequate data demonstrating the extent of any passenger service operations deficits. Full weight is given to this absence of essential data in our recommendations hereinafter made.

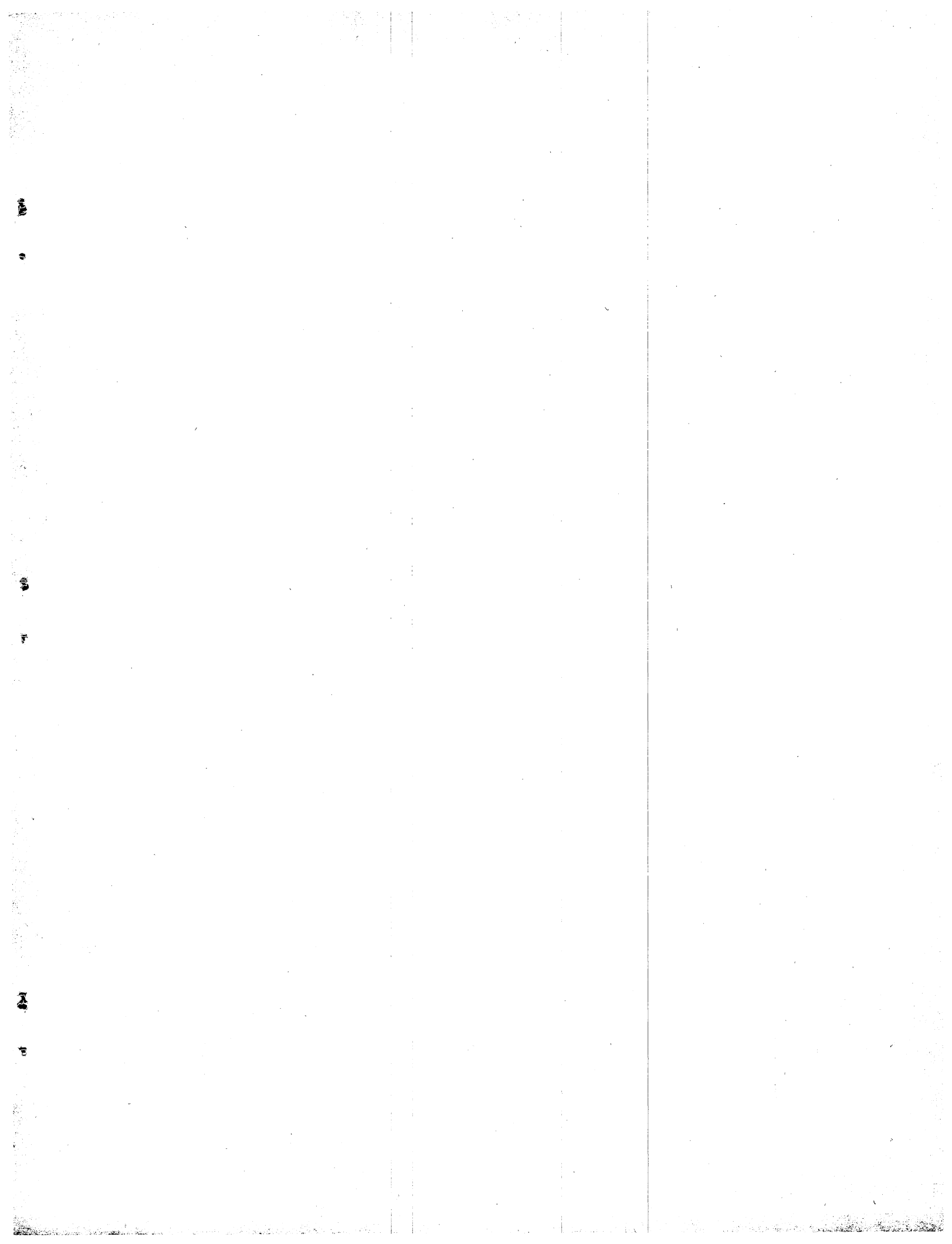
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The Measure Under Consideration

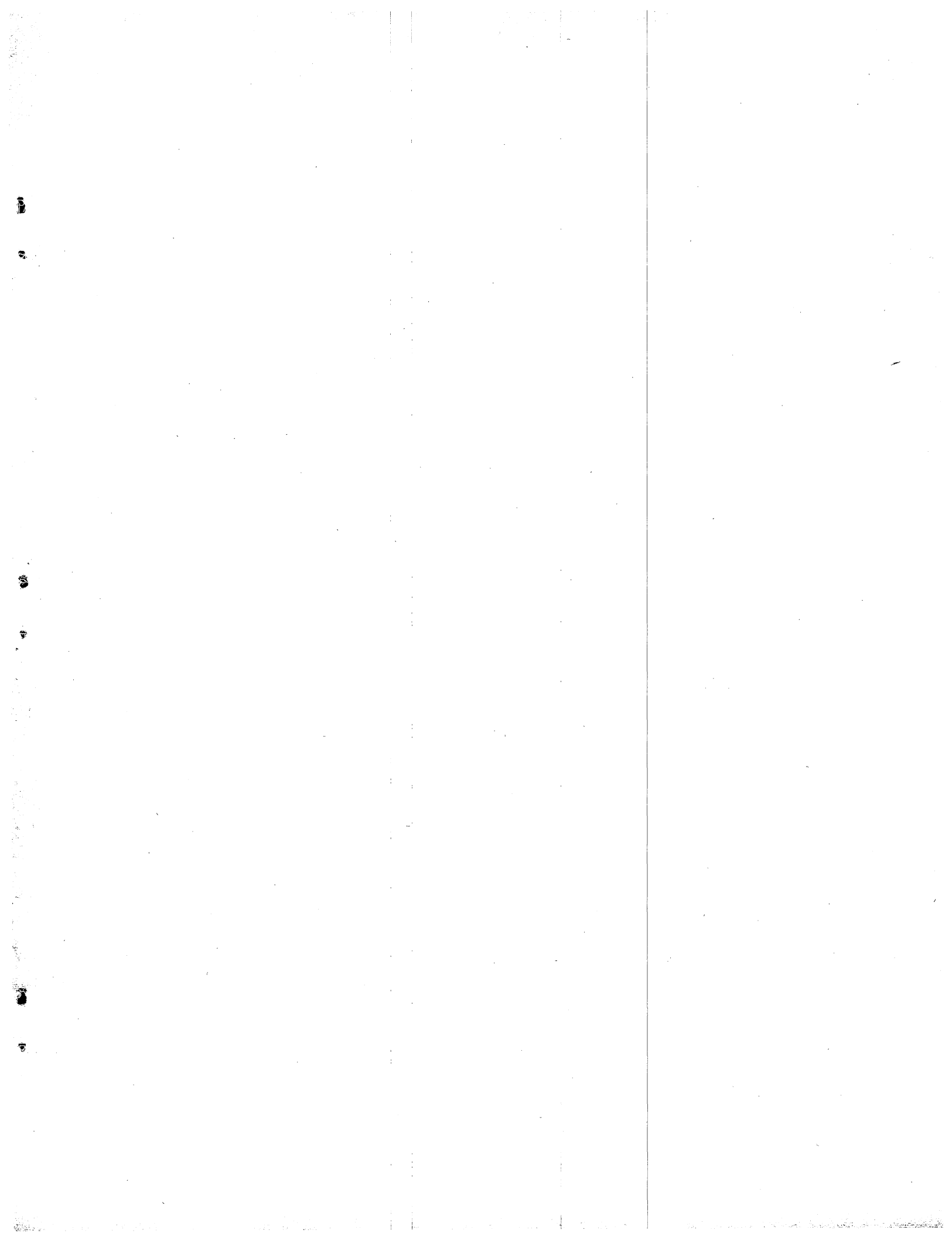
Assembly Bill No. 692 would authorize the Governor, the State Treasurer and the State Highway Commissioner, or any two of such officials, to execute and file a certificate effectuating a guaranty of punctual payment of principal of and interest on and sinking fund payments for New Jersey Turnpike Authority Bonds, not exceeding \$430 million in aggregate principal amount, heretofore issued and outstanding, or which may hereafter be issued by the Authority for the purpose of refunding, or being exchanged for, any of such outstanding bonds. Only Authority Bonds which mature within 35 years from November 3, 1959 would be eligible for such guaranty.

The Bill provides that before such a certificate may issue the guaranty officials must receive satisfactory proof from the Turnpike Authority: (1) that the Authority has taken appropriate action, by resolution, providing for modification of its agreements with its bondholders on terms which will release to the State for payment to the State Treasurer Turnpike Authority revenues in excess of "the annual amounts required by the authority for operating expenses, debt service, payments into reserve or sinking funds and other purposes", all within the limitations of the Authority's agreements with its bondholders as so modified; (2) that the required consent or other approval of the bondholders to the action of the Authority has been obtained; and (3) that at the time the certificate of guaranty is filed the Authority will pay to the State Treasurer such sums of money, if any, then required to be paid to the State by the terms of the abovementioned Turnpike Authority resolution. If particular bonds to be



guaranteed are additional Turnpike bonds authorized or issued to refund any bonds previously guaranteed pursuant to this legislation, the Turnpike Authority is required to present to the guaranty officials satisfactory proof that proceeds of the additional bonds equal to the principal amount of such bonds either have been or will be applied to retire an equal principal amount of said bonds previously guaranteed. Additional bonds issued solely to refund outstanding guaranteed bonds are not to be taken into account in computing the aggregate principal amount of bonds guaranteed under this legislation. The Turnpike Authority is required to present to the guaranty officials such certificates, opinions, documents and proof as they may reasonably require in connection with the above matters.

After copies of the Turnpike resolution are presented to the guaranty officials, these officials may execute and file a certificate effectuating such guaranty of bonds, provided they first find and determine that the terms and conditions of the Authority resolution: (1) are fair and reasonable; (2) are in the public interest; (3) will achieve the purpose intended by this legislation; and, (4) conform to the conditions, requirements and limitations provided by law. There is to be stated in the guaranty certificate the amount, if any, to be paid by the Turnpike Authority to the State Treasurer upon the filing of such certificate. Upon the execution and filing of any such certificate by the guaranty officials, and payment to the State Treasurer of the amount (if any) set forth in such certificate, the punctual payment of the principal of, sinking fund payments for, and interest on the bonds described in the record set forth in the certificate will be unconditionally guaranteed by the State, and the State will



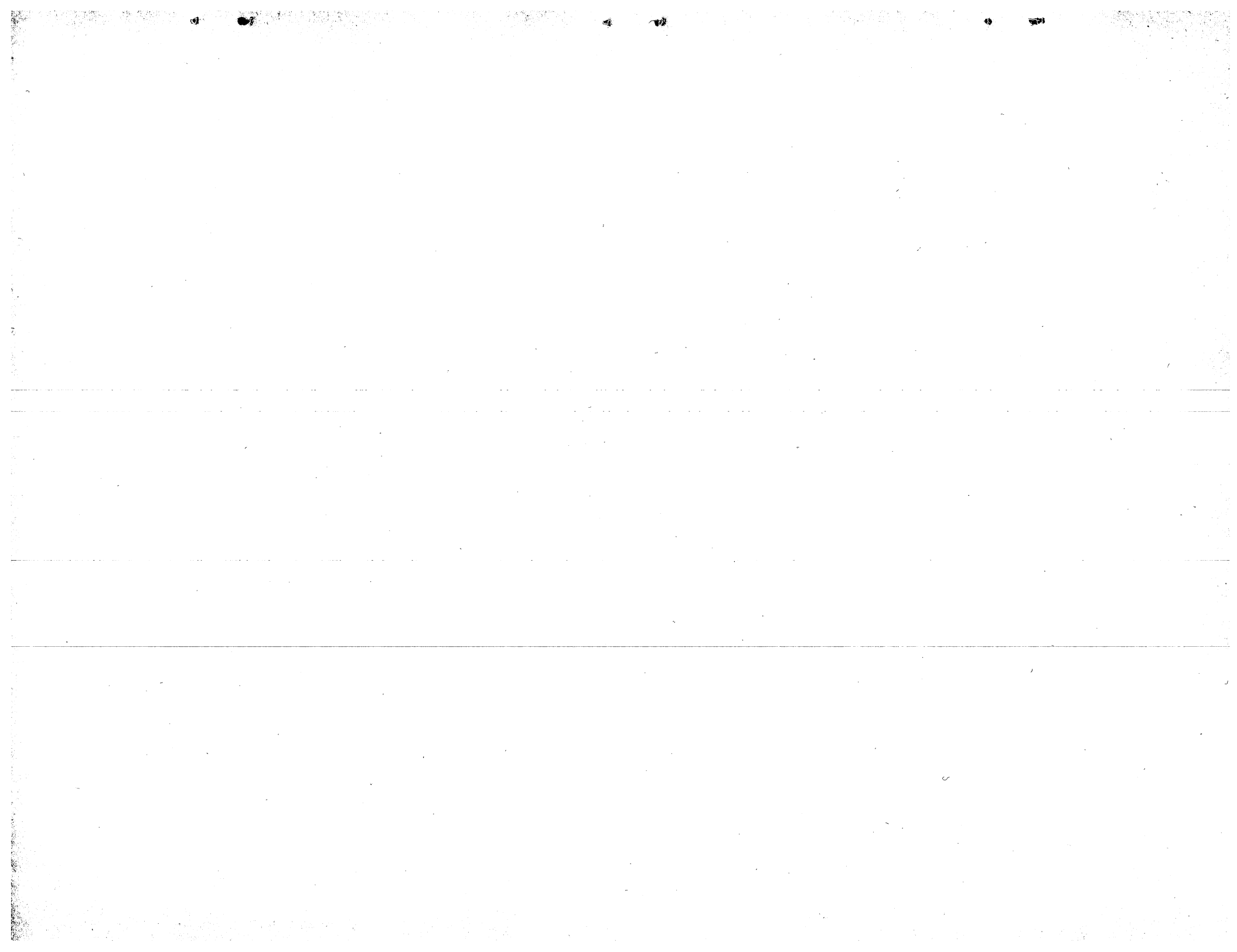
become unconditionally liable for such payments. If the Authority fails to pay, when due, the principal of, sinking fund payments for, or interest on any bond so guaranteed, the State Treasurer is required to pay the same out of the funds provided pursuant to this legislation on the respective dates specified for such payment in the bonds or Turnpike Authority resolution with respect thereto "whether or not the authority is unconditionally obligated to make such payments on said dates".

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We note here that no provision is contained in the legislation to the effect that upon such payment by the State Treasurer the State shall be subrogated to the rights of the bondholders so paid. An amendment to the Bill should be made to include such provision.

Upon the making and filing of such a certificate by the guaranty officials, the revenues of the Turnpike Authority "in excess of the aggregate of the annual amounts required by the authority for operating expenses, debt service, payments into reserve or sinking funds and other purposes" within the limitations of the Authority's agreements with its bondholders, as modified, shall, not less often than annually, be paid to the State Treasurer and by him deposited in a "transportation fund" created pursuant to this legislation.

The resolution of the Turnpike Authority providing for modification of its agreements with its bondholders may contain such provisions for amendment or modification of such agreements, or outstanding Turnpike Authority bonds, or authorize the issuance of additional Authority bonds for the purpose of refunding or being



exchanged for outstanding Authority bonds, as the Authority may determine, with the approval of the guaranty officials.

Additional non-guaranteed bonds may be issued by the Authority, subject to the Authority's agreements with the bondholders, but so long as guaranteed bonds are outstanding, no such additional bonds may be issued without the prior approval of the guaranty officials. The resolution of the Turnpike Authority authorizing such additional bonds may contain such provisions as may be adopted by the Authority and approved by the guaranty officials, including provisions for reserves, for payment or retirement of such additional bonds, or for other purposes.

Pledged for the discharge of the guaranty are first: the receipts of license fees, taxes and revenues derived from pari-mutuel betting at race meetings pursuant to P.L. 1940, c. 17, as amended and supplemented; and second: the full faith and credit of the State.

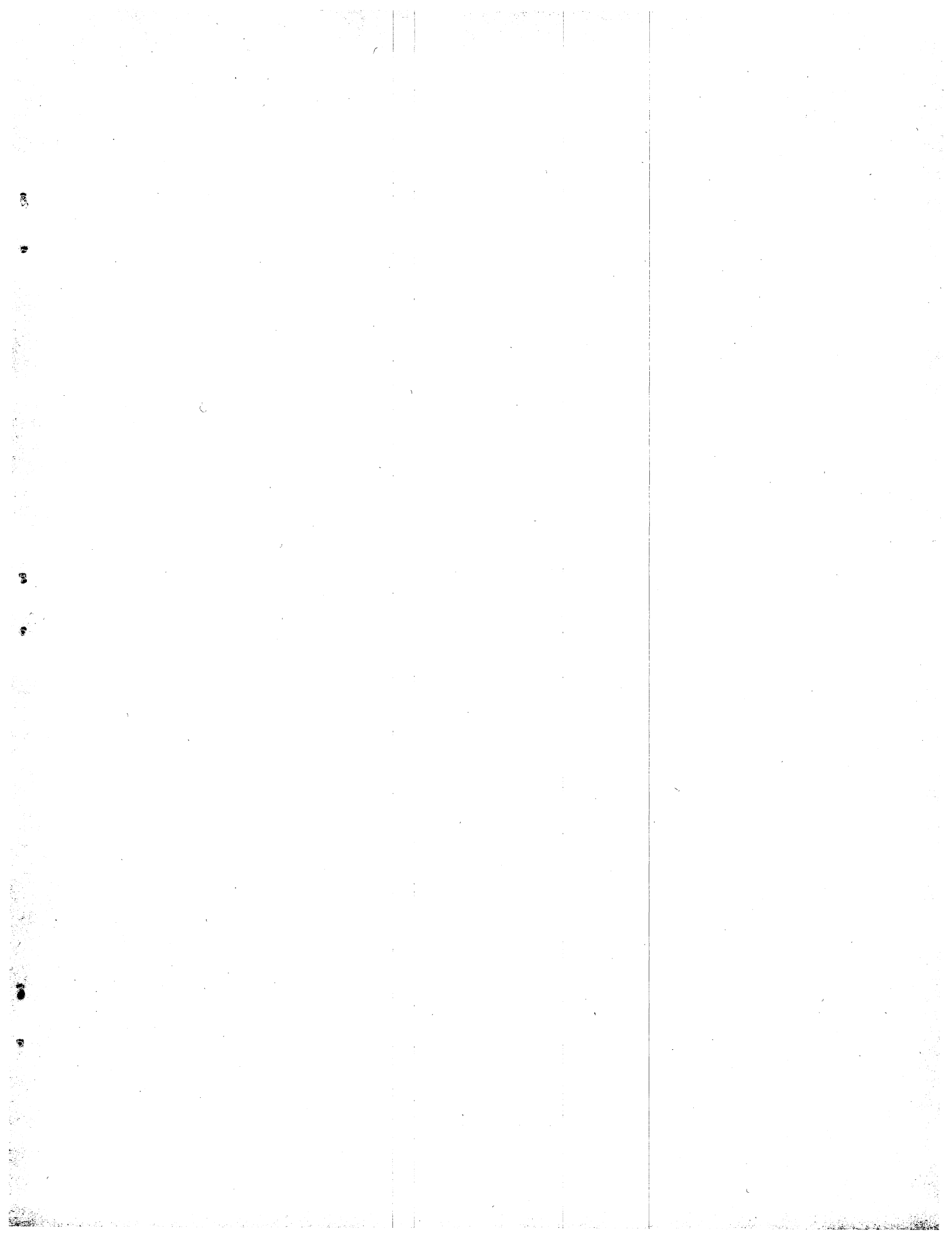
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We note at this point that up to 50% of the revenue derived from pari-mutuel betting at race meetings is pledged to meet the interest and principal requirements for bonds issued and outstanding under the \$35 million Veterans Housing bond issue of 1946 (P.L. 1946, c. 324).

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If adopted, the pending legislation would be submitted to the voters of the State at a referendum to be held at the General election this November and become effective if approved by a majority of the votes cast on the question of its approval or rejection.

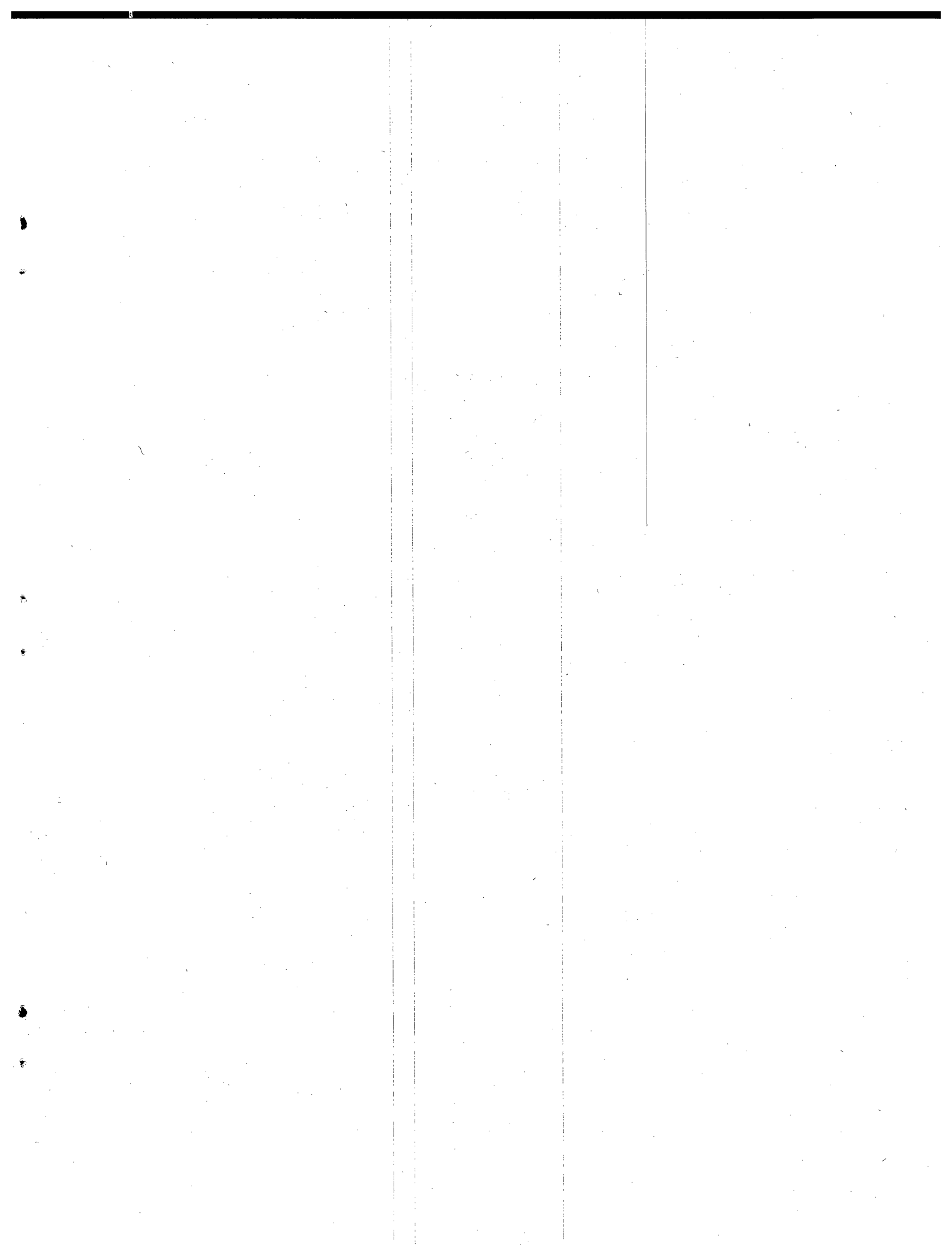
The "excess" Turnpike revenues which are to be placed in the "transportation fund" may be used only in



accordance with appropriations hereafter made from such fund by law. This fund is dedicated and may be applied "solely to the object of meeting transportation problems". Such "object" is defined in the proposed legislation to include a wide variety of matters including "payment of costs of aiding, extending and developing existing and additional facilities and services for the transportation of persons and goods by any means or vehicle of transportation whatever"; and compensation or adjustments to municipalities "to insure no loss in revenue as a result of any tax revision program hereafter adopted by law in connection with transportation problems".

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Before proceeding to discuss the feasibility of this proposed legislation, we particularly note that we are not passing on a number of constitutional questions inherent in the measure, including: (1) whether only one "single object or work" is "distinctly specified" in the Bill as required by the debt clause of the State Constitution (Art. VIII, Sec. II, par. 3); (2) if a "specific object" is properly stated (Sec. 3 of the Bill), whether the money in the "transportation fund" is properly dedicated for application "only to the specific object stated therein, and to the payment of the debt thereby created," as required by the abovementioned debt clause of the Constitution; (3) whether municipalities having Class II railroad property may be deprived of such property as a tax base in light of the taxation and assessment requirements contained in the Taxation and Finance Article of the State Constitution (Art. VIII, Sec. I, par. 1); and (4) whether appropriations may be made out of the "transportation fund" for the purchase of railroad facilities, in light of the



Constitutional prohibition against appropriation of money by the State to or for the use of any corporation (Art. VIII, Sec. III, par. 3).

These are matters which should properly be determined by appropriate judicial proceedings. Meanwhile we suggest that they be further explored by the Attorney General.

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The Need For Continuation And Improvement  
Of Railroad Passenger Service.

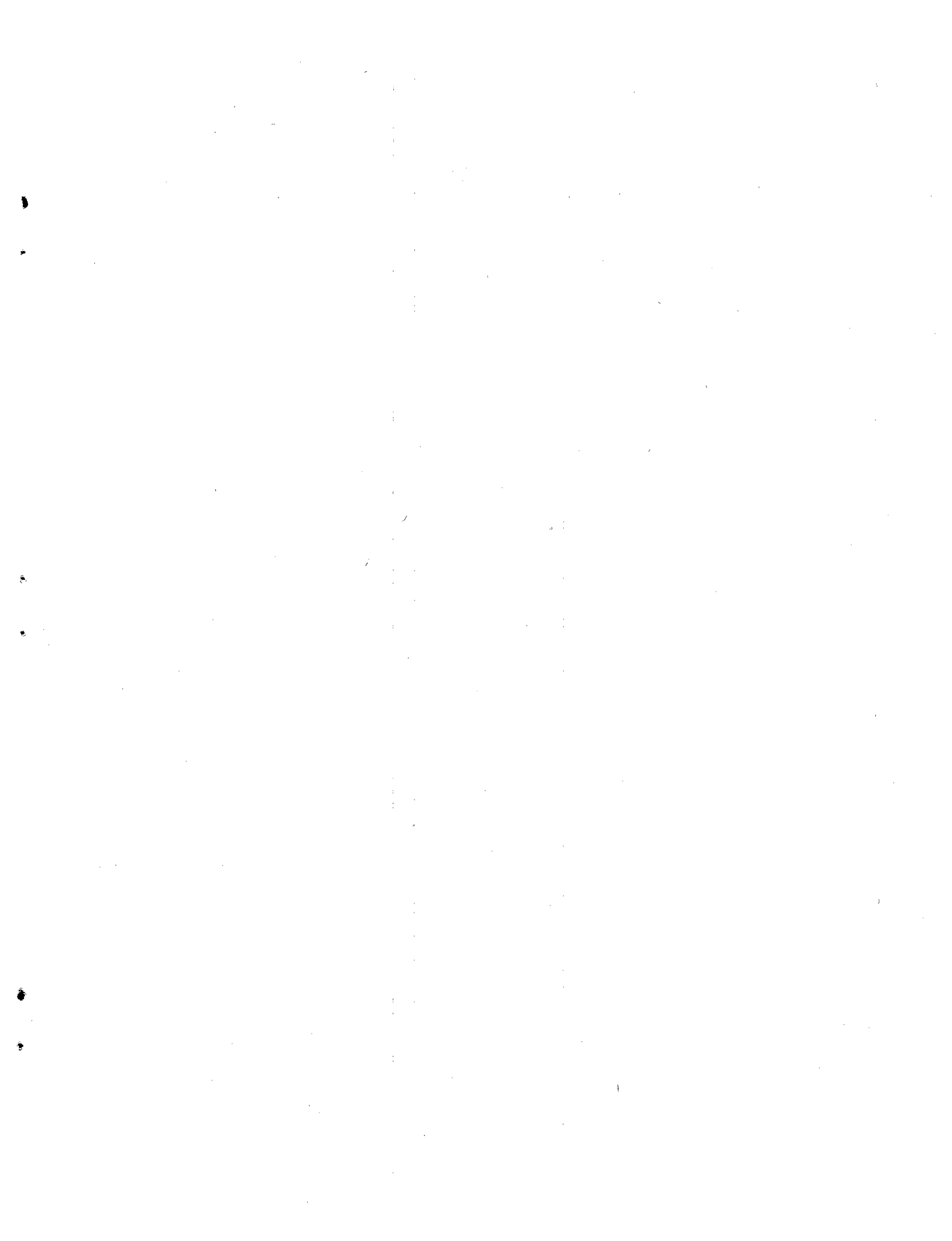
The continuation and improvement of railroad passenger services in Northern New Jersey as well as the development of rapid transit facilities in South Jersey are essential to the future well-being not only of our commuter population but of all of the people of the State. Indeed, the present life-blood and future economic stability of many municipalities require that this vital passenger rail service be placed and kept on an economically sound and efficient basis. This calls not only for efforts on the part of the State, but in large measure requires a full understanding on the part of railroads that they are in business by virtue of public franchises which must be exercised in the public interest.

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Financial Aspects.

As of August 12, 1959, there were \$428,255,000. of Turnpike Authority (Revenue) bonds outstanding, as follows:

	<u>Original Amount</u>	<u>Description of Bonds</u>	<u>Outstanding Aug.12, 1959</u>
1950 -	\$220,000,000.	3-1/4% General	\$214,372,000.
1951 -	35,000,000.	3.20% General	35,000,000.
1953 -	150,000,000.	3-3/8% Series B	126,998,000.
1954 -	27,200,000.	3% " "	23,052,000.
1955 -	37,000,000.	2.80% " "	28,833,000.



1. DEBT RETIREMENT ON PRESENT FORMULA

Such bonds as have been retired from surplus revenues (\$38 million) have been purchased by the Trustee in the open market or have been tendered when invitations were issued by the Trustee. The average cost of all purchases is slightly over 96. The bonds are callable for sinking fund by the Authority at prices ranging from 103½ down to 100. The latter price applies for the first time in 1975. The floating supply of bonds is limited and it is not improbable that some time prior to that date, bonds will have to be retired by call at a premium cost.

After provision for interest and mandatory sinking fund and reserve fund requirements, surplus revenues go to the early retirement of the Series B bonds. Thus, it is estimated that all of the presently outstanding \$179 million Series B bonds should be retired by 1969 with an average life of about 6 years.

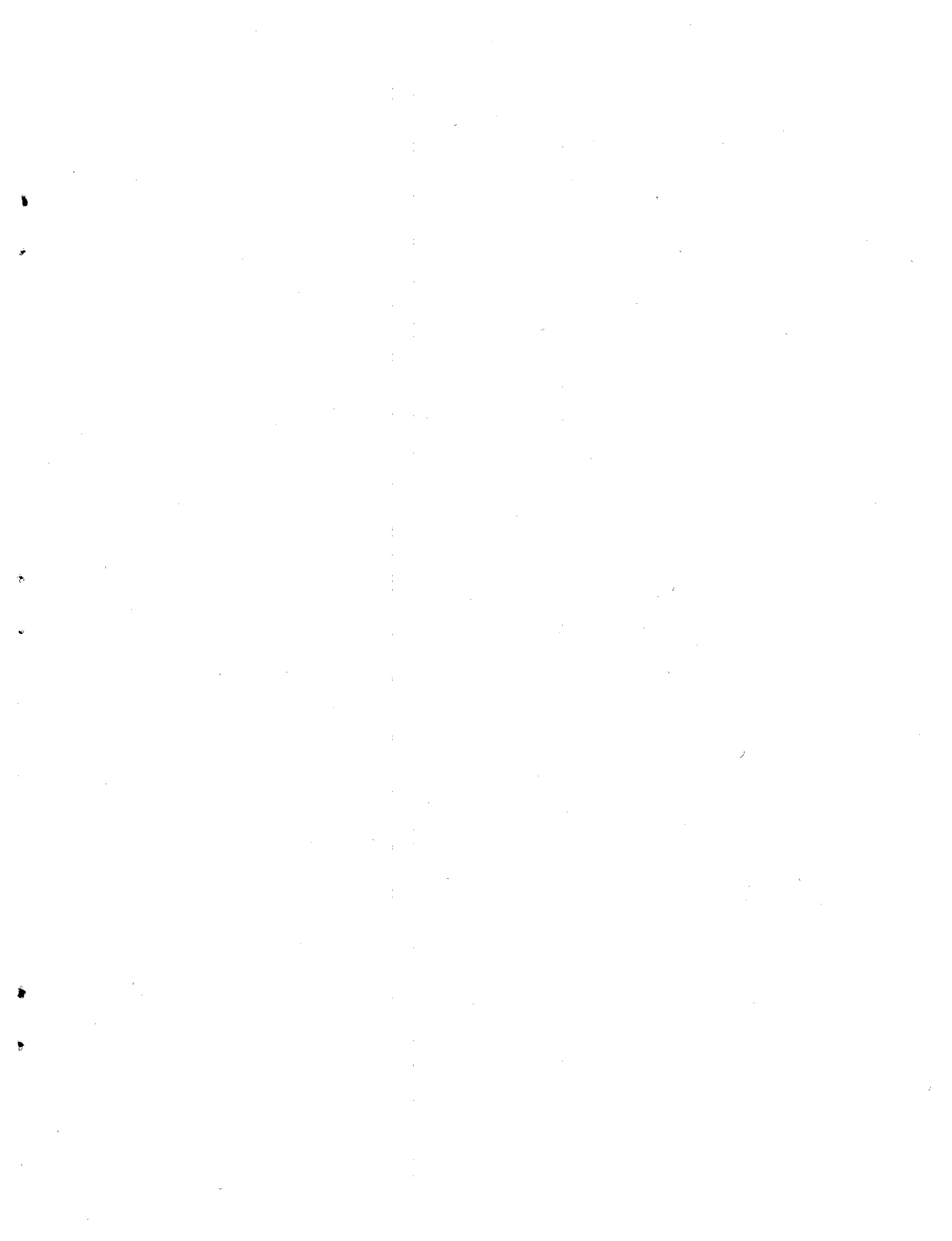
2. DEBT RETIREMENT UNDER ASSEMBLY NO. 692

Bonds would be retired on the basis of mandatory sinking fund requirements for the \$249 million General bonds to mature in 1985 and Series B bonds would be retired from 1965 to 1988 the final maturity date. The average life of the Series B bonds would be 18-1/2 years instead of 6 years. The average life of the General bonds would be 14 years, 8 months instead of 10 years, 11 months.

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BONDHOLDERS

It is estimated that slightly over \$100 million in total of all bonds are held by institutional investors. About \$41 million of the General bonds are in registered form and over \$13 million of the Series B bonds. (These are not exclusively institutionally held bonds).



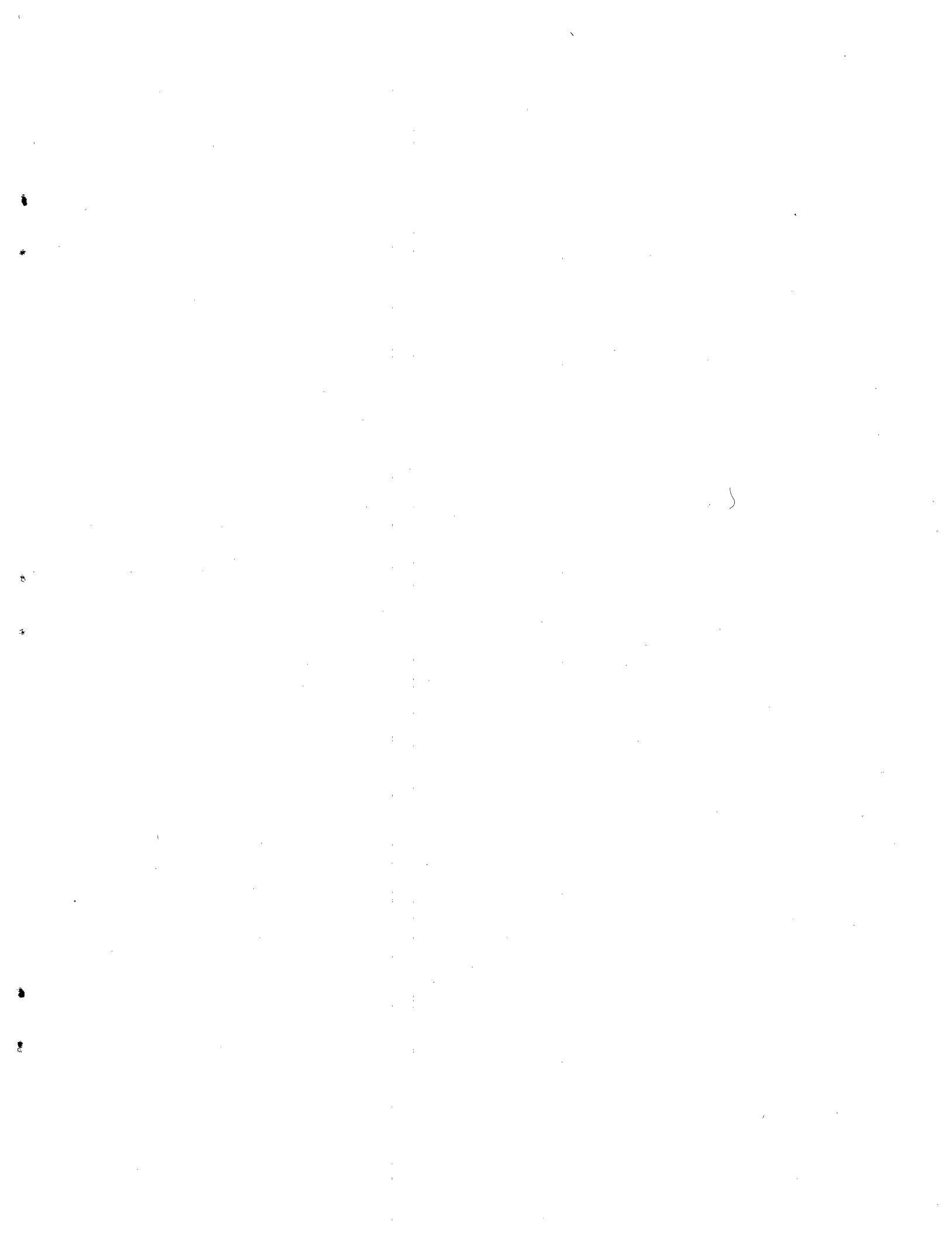
THE "EXCESS" AVAILABLE

1. The amount of current surplus available for diversion will not exceed \$29,000,000 and of this total it is proposed to divert \$14,000,000 of excess construction funds which have not been expended. The wisdom of diverting this \$14,000,000 is questioned by some of the Turnpike officials and their advisors, particularly when the Turnpike will be expected to share in the development of a new interchange at Newark Airport and Route 1 and an extension of the Turnpike Hudson County Connection, in order to serve a free facility to Hoboken.

2. While the Turnpike originally was supported by 75% out-of-State traffic and, after the construction of the Hudson County Connection, by 67-1/2% out-of-State traffic, the current checks by the Turnpike indicate that 60% of Turnpike traffic is by vehicles registered in the State of New Jersey. This applies to vehicles only and is not a current estimate by the Turnpike of the percentage of tolls which are being paid by the out-of-State motorists.

It may reasonably be expected that currently at least 50% of Turnpike toll revenues are contributed by the motorists of states other than New Jersey because of the vehicles being currently weighted by the traffic between the Hudson County Peninsula and Newark which provides a low toll and all of which is New Jersey State traffic.

3. If we are to take the conservative view-point and use the estimates of the Turnpike Authority, the <sup>Comptroller</sup> total surpluses which will be available between 1960 and 1988, ~~and~~ including the current available surplus of \$29,000,000, will be \$316,000,000. It can well be



argued that the Turnpike, in arriving at this total, has over-estimated its operating expenses and the funds required for extraordinary maintenance and further development of the roadway and the attendant facilities.

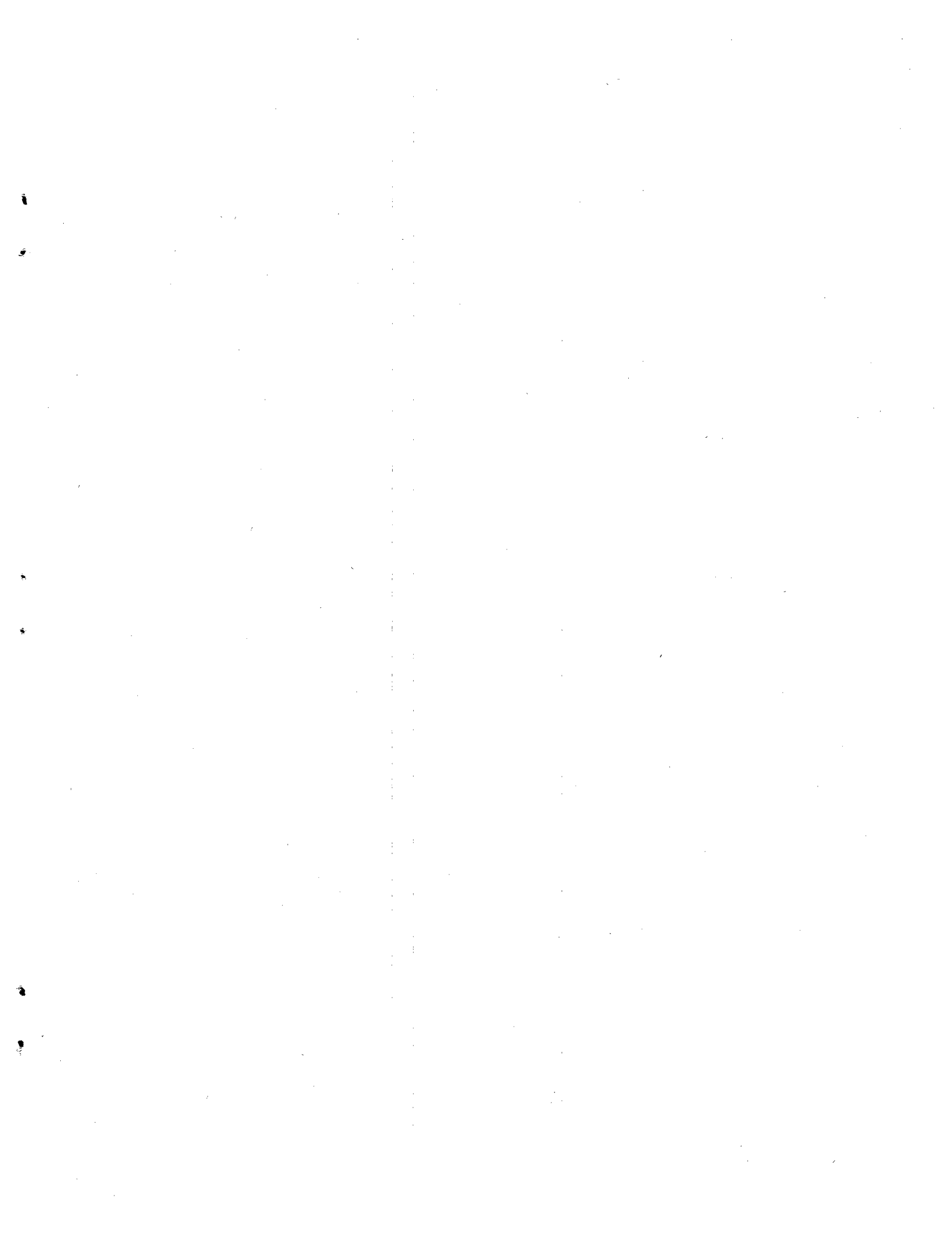
4. It has now been definitely established that the Turnpike alone, regardless of improvements and enlargements, cannot adequately serve the north-south traffic, particularly in the northern section between Woodbridge and the George Washington Bridge and that eight additional lanes must be available to care for this traffic no later than 1972. At that time there will still be under the proposed legislation \$280,000,000 in Turnpike bonds outstanding and these must be serviced and matured by 1988, including ordinary administration and maintenance.

#### ADDITIONAL COSTS - AND BONDHOLDERS APPROVAL

Extending the maturity of Turnpike bonds will, in the opinion of the State's financial advisors, involve an additional \$105,000,000 in interest charges, plus an estimated \$17,400,000 in premium bond interest to existing holders (computed on the basis of an estimated additional 1/4 of 1% interest across the board, averaging \$600,000. per year for 29 years).

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Note - As 2/3rds approval of each issue of the present bonds is required, the greatest difficulty is apt to be encountered with holders of the Series B 2.80% and 3% bonds.

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In the event that the required percentage of bondholder approval is not forthcoming, the resultant cost in calling the bonds, at premiums ranging from 103 $\frac{1}{2}$  to par, and issuing new obligations, would make the plan



impractical from a financial viewpoint.

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Between 1960 and 1972, the outside date for enlargement of the Turnpike as pointed out above, total surpluses available from Turnpike revenues should amount to \$132,688,000 (including the current available surplus of \$29 million). A "transportation fund" of \$100 million would be more than adequate to enable the State to finance a program of the size suggested by the Division of Railroad Transportation and State Highway Department for the continuation and improvement of commuter passenger rail transportation. Accordingly, we would recommend that the pending legislation (Assembly No. 692) be amended to permit the flow of excess Turnpike revenues into the "transportation fund" up to an aggregate of \$100 million. Under such amendment: essential bondholder approval would be more readily forthcoming; the cost of obtaining such approval can be expected to be sharply reduced; an urgent commuter passenger rail continuation and improvement program can be put into effect and fully implemented; and, the future financial stability of the Turnpike would not be jeopardized.

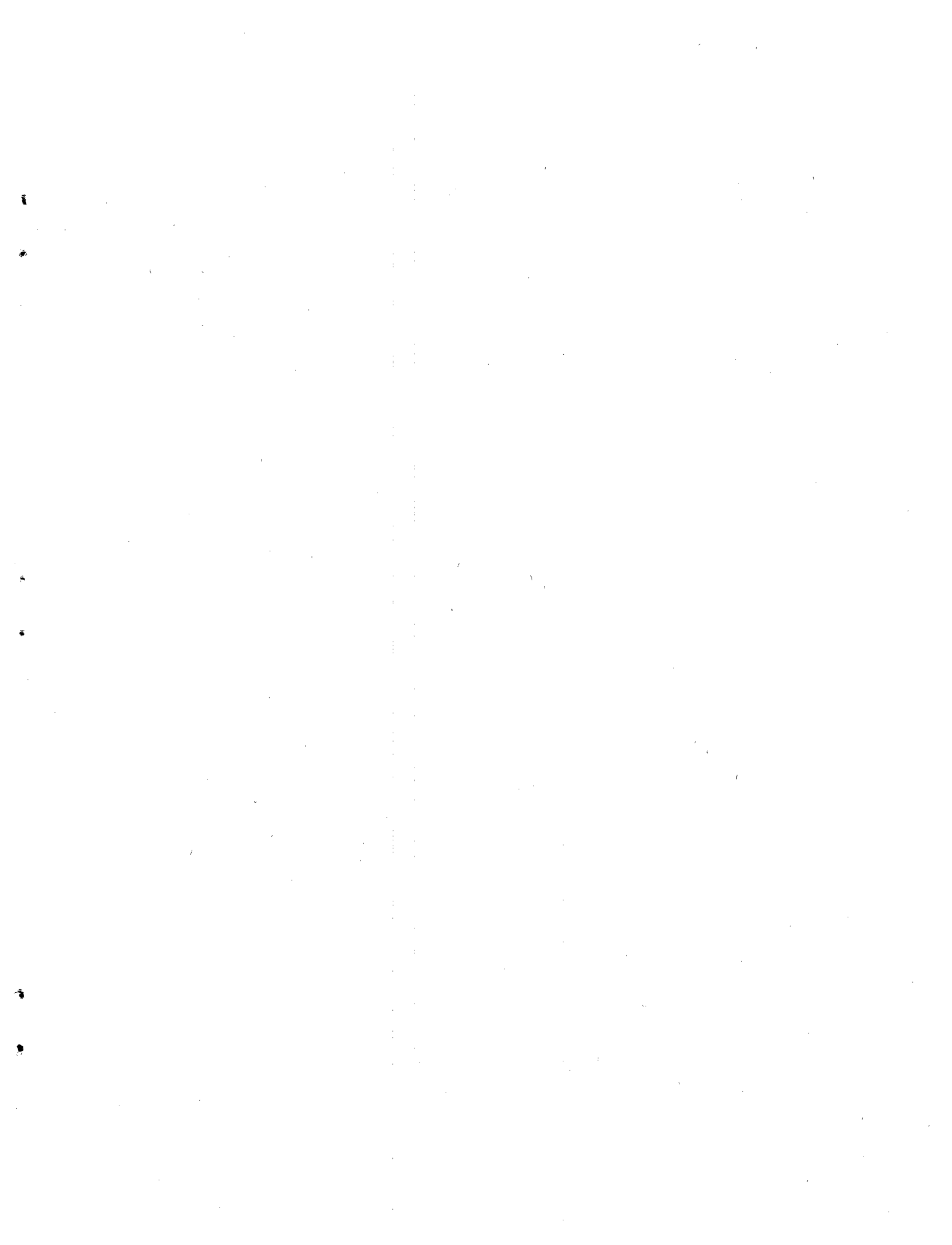
It should be emphasized that the \$80 million 5 year program (hereinafter referred to), suggested by the Highway Department can only provide a temporary basis for relief until such time as an overall program, encompassing a full solution of transportation problems, is developed.

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How to Meet The Task of Continuing And

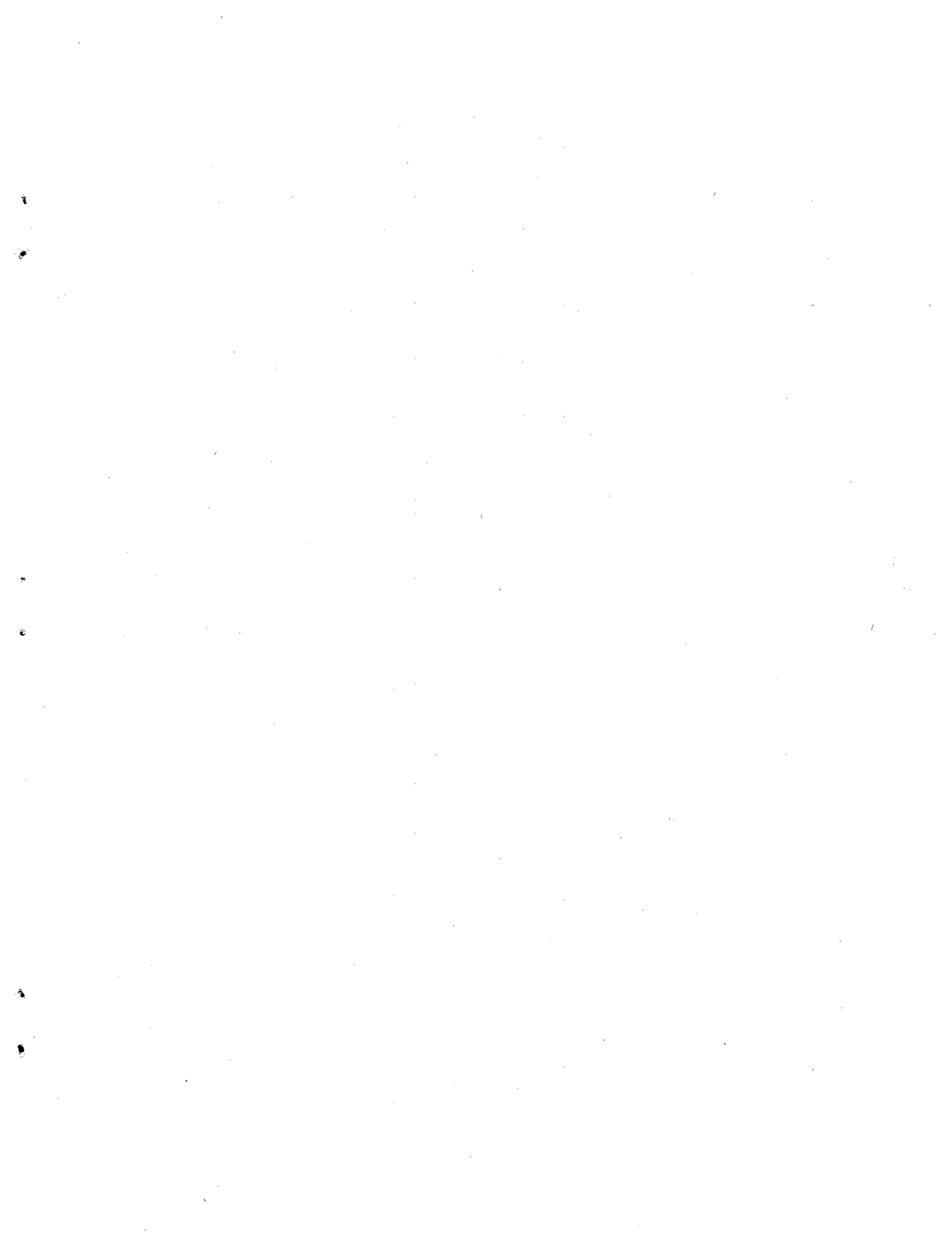
Improving Essential Railroad Passenger Service.

Although, as indicated above, the pending legislation proposes to use the funds which may be derived from "excess revenue" of the Turnpike Authority to meet a variety of transportation problems, the most immediate or emergent objective under consideration by the Highway Department is that of alleviating the "plight" of the railroads to insure continuance and improvement of commuter passenger railroad services.



From the material submitted to us by the State Highway Department and its Division of Railroad Transportation and from our discussions with representatives of these agencies, it is apparent that the two phases of their "emergency" plan consist in the main of: (1) utilizing moneys in the "transportation fund" to assist railroads in financing capital improvement projects; (2) the adoption of legislation (amending the Railroad Tax Law of 1948) removing Class II railroad property as a source of municipal tax revenue, eliminating the distinctions between Class I (main stem) and Class II (other real estate used for railroad purposes) railroad property, and subjecting all real property owned by railroads to taxation by and for the use of the State at special rates. The Highway Department has estimated that this program may be carried out over a period of five years at a cost of \$80 million, i.e., \$45 million for item (1) above, and \$35 million by way of tax relief for the railroads.

Aside from the serious constitutional problems inherent in each of these two phases of the proposed program, (Const. Art. VIII, Sec. III, Par. 3 and Art. VIII, Sec. I, Par. 1), it is immediately apparent that the effectuation of these two phases will not assure any substantial realization of the desired objective. The projected tax relief program, even if permitted, could not afford to the railroads most concerned with the commuter passenger service problem a fair proportion of any tax reductions which would ensue. Thus, the D.L. & W., the <sup>Jersey</sup> Central, the Erie, and the Hudson & Manhattan, which are apparently most in need of rehabilitating their commuter passenger services, would be obtaining nowhere near the large share of tax relief which

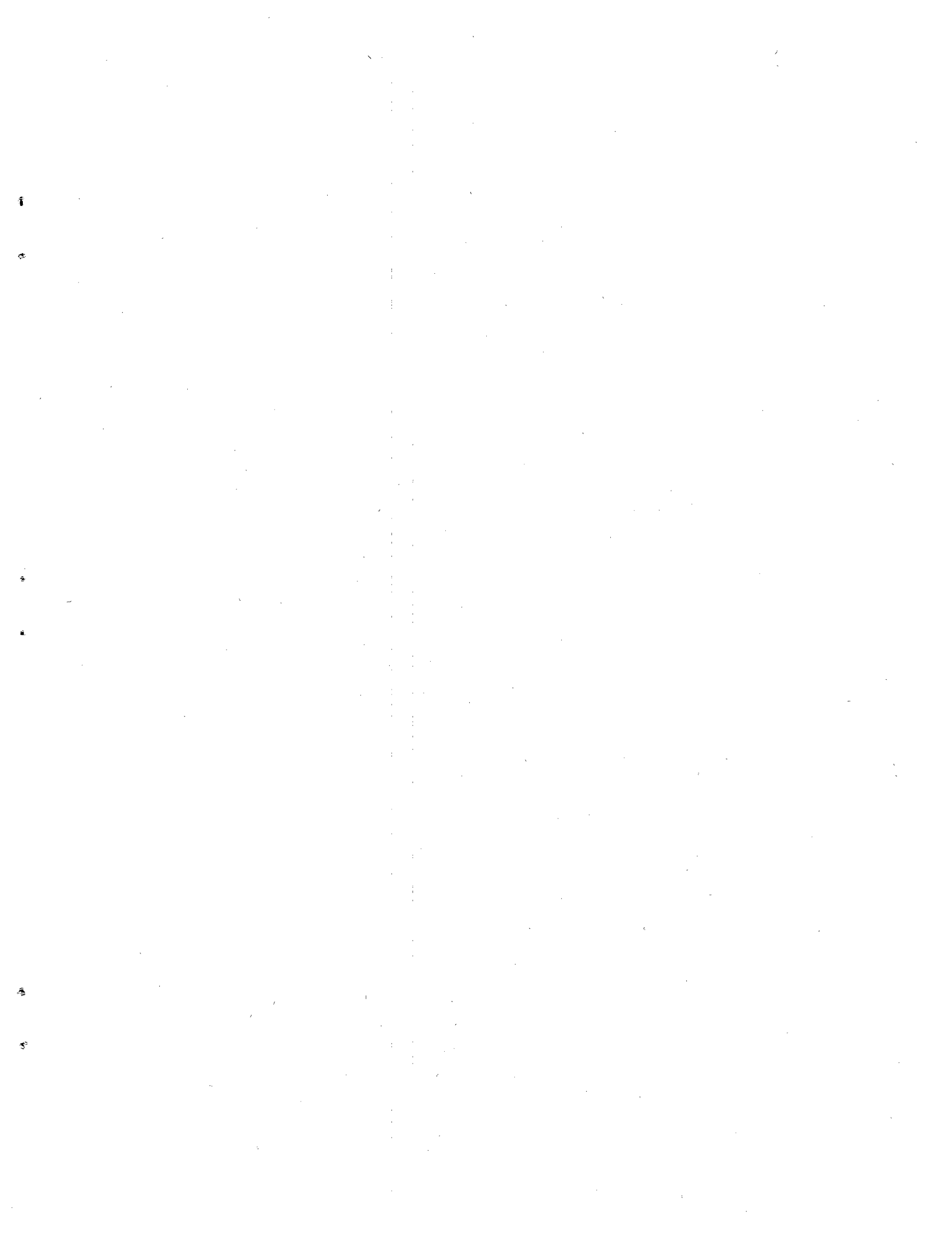


would flow to the Pennsylvania. By constitutional mandate, any assessment and taxation of railroad property is required to be by uniform rules. As applied to the suggested tax relief plan of the Division of Railroad Transportation, this would result in the largest share of any tax relief going to the Pennsylvania Railroad, which now pays the largest railroad tax bill in the State. Yet, the other roads enumerated above are presumably in far greater need of assistance in regard to their passenger service problems.

Recommended Use Of Funds For Continuation  
And Improvement Of Commuter Passenger Rail  
Service.

It is apparent that the suggested tax relief plan will not achieve effective results from the standpoint of our commuting population. Our citizens require and have the right to expect firm commitments of improvement in quality and quantity of rail service in exchange for assistance which will be available from the use of their "transportation fund" monies. Accordingly, we suggest that serious consideration be given to a program under which the State would contract for continued and improved services from railroads providing commuter passenger service. In our judgment, the improvement of transportation services for our citizens is an essential public purpose; and a firm obligation on the part of a railroad to fulfill that purpose would be adequate consideration to sustain State appropriations (from the "transportation fund") to meet its cost. See: Trustees of Rutgers College in N.J. v. Richman, 41 N.J. Super 259, p. 300 (Ch. Div. 1956).

Any such contract of purchase should specify: the quality and quantity of service required; train schedules



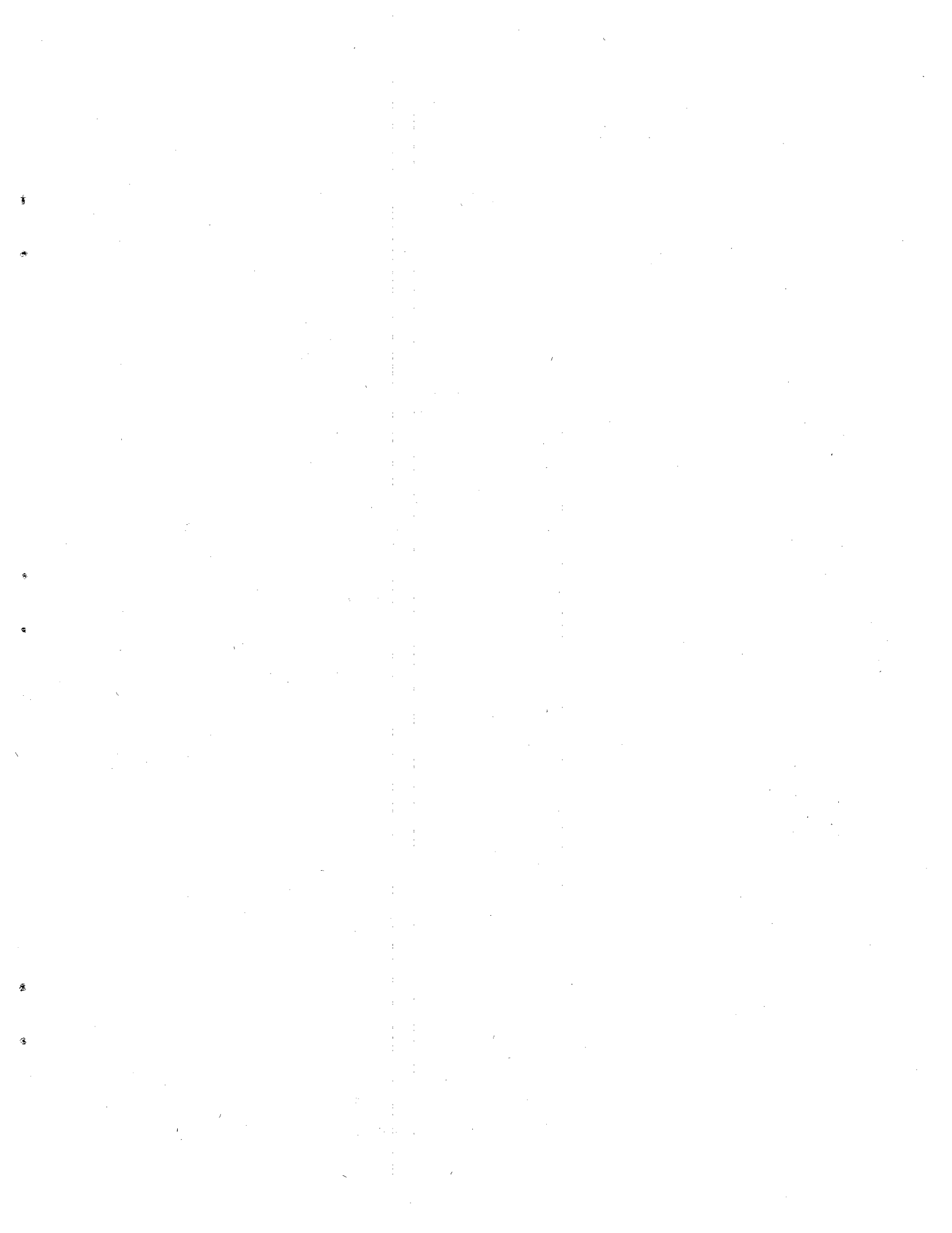
to be met; improvement in equipment required; guarantees which would enjoin the making of applications for curtailment or abandonment of service; and such other standards as the Division of Railroad Transportation may determine are needed to properly protect the commuting population and insure improvement in commuter rail service.

Before entering into any such contract with a railroad, the State should carefully examine into the financial operations of the road and determine whether it is sustaining any "operating losses", and the nature and extent of those losses. Only then would the State be in a position to know whether a contract for the purchase of service of that road is warranted in the public interest.

Such a program would, we suggest: (1) avoid constitutional infringements; (2) obviate any need for railroad tax readjustments, and, accordingly, not disturb or change the status of Class II railroad property; (3) aid those railroads most concerned with commuter rail service and in need of assistance; and (4) afford commuters maximum assurance of continuance and improvement of service.

If Section 3 of the Bill is held to be constitutional, the program herein suggested could, we feel, be effectuated within that broad provision thereof which permits moneys in the "transportation fund" to be used in "payment of costs of aiding, extending and developing existing and additional facilities and services for the transportation of persons".

The success or failure of the entire program envisioned by this Bill depends upon the terms required by the bondholders for their approval. These terms may be such as to render the project unworkable. Accordingly, a further amendment to the Bill should be made requiring State House Commission or legislative approval of any guaranty certificate before such certificate is to become effective.



New Jersey Turnpike Authority

Financial Aspects

Description of Bonds

	<u>Original Amount</u>		<u>Outstanding August 12, 1959</u>
1950 -	\$220,000,000	3-1/4% General	214,372,000
1951 -	35,000,000	3.20% "	35,000,000
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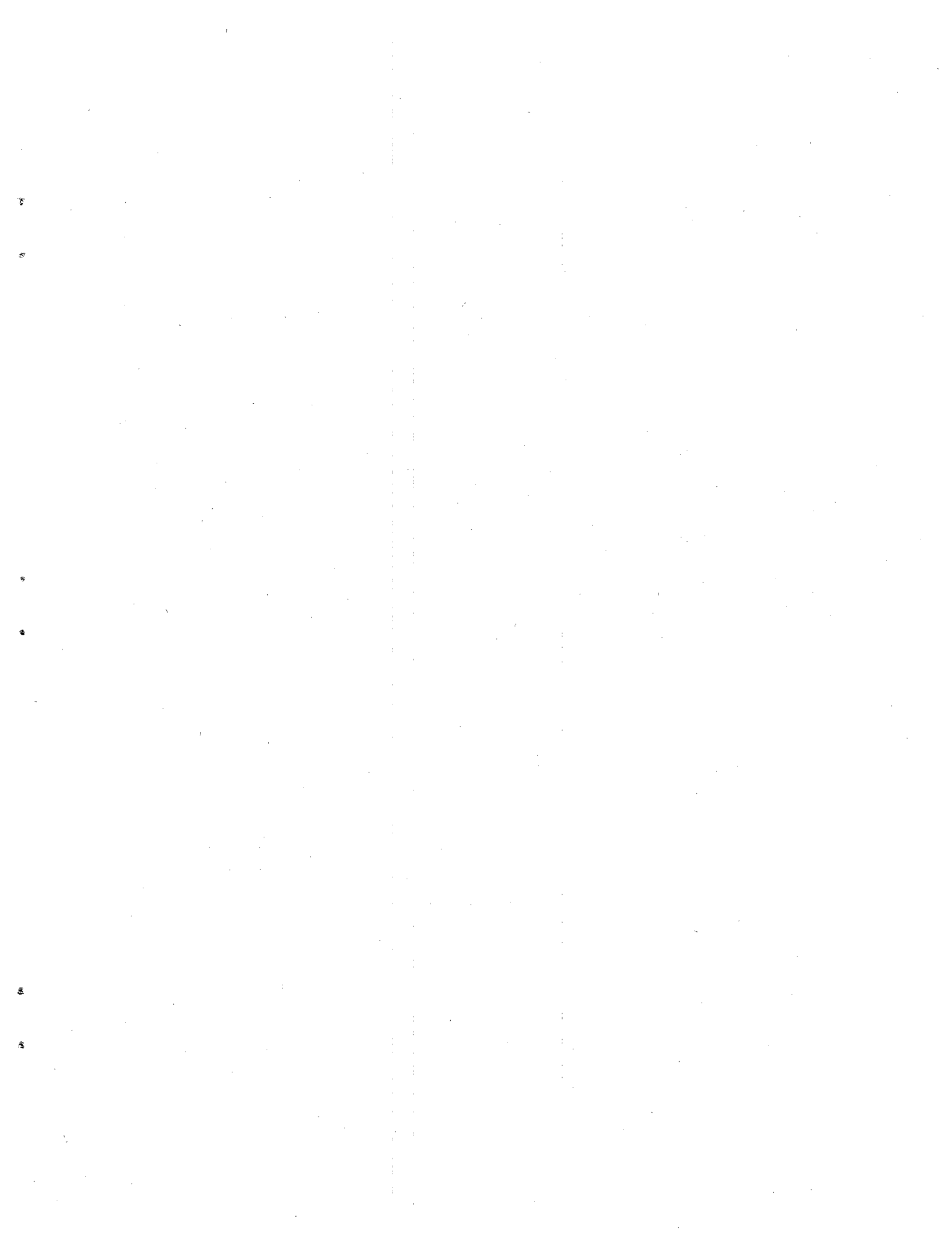
Debt Retirement on Present Formula

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Debt Retirement Under Proposed Legislation

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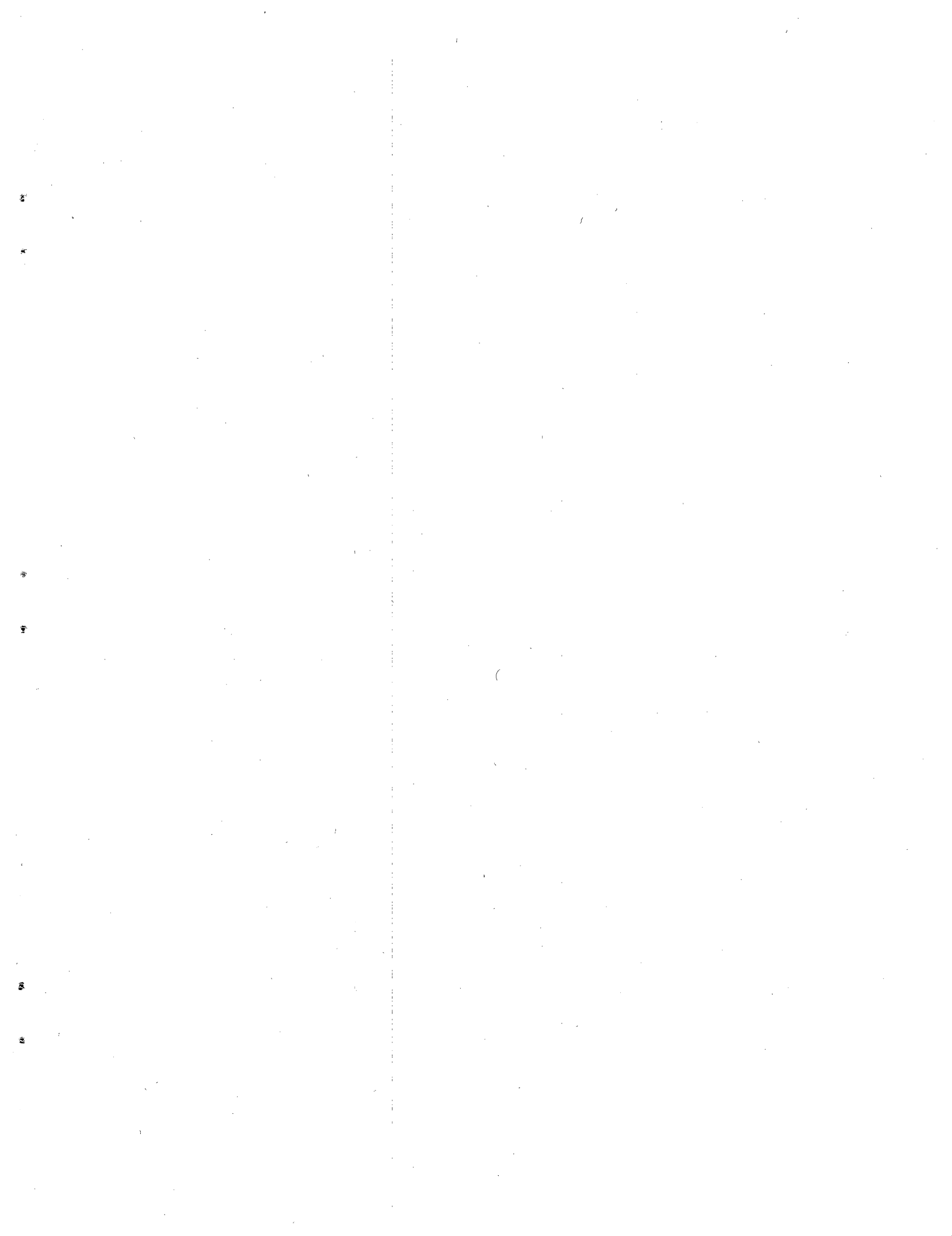


### Anticipated Fiscal Benefits Under Proposed Plan

1. It is stated the State might recapture for use in this program up to \$25 million presently held in Reserve Funds for principal and interest requirements. With the State credit behind these bonds the present reserve requirements are excessive, but in principle a reserve for contingent obligations of a State or political subdivision is many times a useful and desirable procedure.
2. The yearly surpluses accruing to the State under the proposed plan, it is stated, may total over the 29 year period as much as \$630 million. This is based on engineering estimates of total revenues, estimates also of operating and maintenance costs, extraordinary and capital improvement costs. There is ample room for different opinions on each one of the above items. Time will not permit nor does first-hand knowledge justify strong contrary opinions. The question is raised, however, regarding the soundness of some of the assumptions made in the estimates of net revenues over the extended period involved. The policy of continuing to build on emulative totals each year for the next 20 years, when this procedure has already been followed for 10 years, is questioned. We have little experience to guide us over such an extended period of years, but we do know that capacity for accommodating additional traffic is reached at some point, and unless substantial capital expenditures are made to improve facilities, revenues are almost certain to level out. If capital improvements are necessary, surplus revenues will be reduced accordingly. It will be noted that net earnings estimated for 1979 are 80% higher than 1959 earnings.

Mr. Troast's committee is checking on some of these assumptions directly with the Turnpike Authority and he will report on this general subject. Since the above was prepared, Commissioner Gallagher of the Turnpike Authority has made an extensive statement which gives authority to substantially lower estimates for future revenues.

3. While surplus revenues may fall short of estimates submitted by proponents of the proposed plan, the amount available even so should be sufficient, if properly used, to provide a means of developing and supporting a highly constructive program throughout the State. The State has been remiss in attempting to do anything of value in connection with the commuter problem which has sorely



needed intervention and assistance. It has dragged its feet when New York and Connecticut have sought its cooperation. One of the reasons has been because it lacked money. The proposed plan will provide money. It now becomes important that it be wisely spent.

#### Use of Funds

In considering the "financial aspects" one cannot ignore how these substantial surplus revenues will be used. Thoughtful people are more concerned with this question - probably - than with any other aspect of the whole plan. Questioning the judgment of the officials designated or the controls suggested should not be interpreted as a reflection on the present officials. A 30 year span is involved and many changes can occur and many influences not in the public interest can develop over such a period of time.

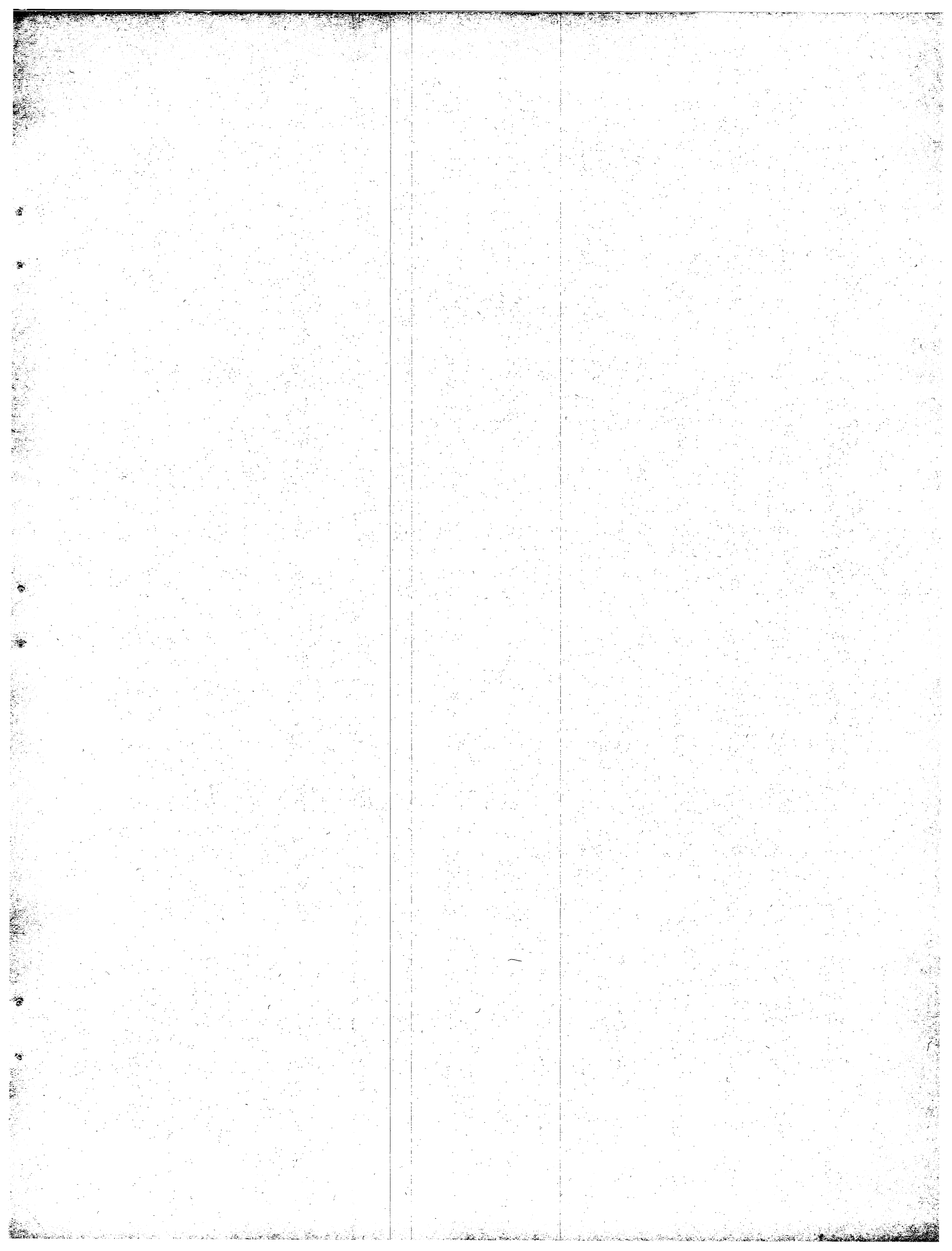
There is an opportunity here to promote a constructive long-range program, comprehensive in scope with objective goals that can arouse much enthusiasm. These goals can be thwarted by unreasonable demands on the part of pressure groups.

The State has an obligation to lend assistance to certain areas where tax adjustments may involve substantial hardship. A realistic approach is needed, however, in dealing with taxable values and nothing but temporary relief should be given where assessed values are not brought into line with fair market values. The excessive taxes over a long period of years plus higher labor costs have been important contributing factors in developing the difficulties with which the railroads are presently contending. These surplus turnpike funds should not be used to perpetuate these false values. Control of the use of the surplus revenues in a manner that assures some true independence against political or other self-seeking pressure groups should be provided if it is possible to do so. The protection rests, of course, with the Legislature which must approve the allocation of funds.

#### Summary and General Comments

All debt of the Turnpike Authority, it is estimated, will be retired by 1973 if the present plan continues. Under the proposed plan, bonds would be retired by 1988.

The attitude of bondholders is difficult to predict. Market conditions prevailing at the time approval is requested is likely to influence many holders. As 2/3rds approval of each issue is required, the greatest difficulty is apt to be encountered with holders of the Series B 2.80% and 3% bonds.



The fiscal benefits of the proposed plan to the taxpayers of the State are many and substantial. An educational campaign should be planned adequately to inform the voters of these benefits before the matter is voted upon.

Suitable controls on the use of the surplus revenues to be turned over to the State under the proposed plan is a matter which deeply concerns many thoughtful citizens. This subject deserves careful study and consideration.

The plan has much merit and deserves sympathetic consideration and study. Inherent problems are discussed above. It should be recognized that the opportunity is present, with the amount of funds that should be available, to promote and support an objective and comprehensive program. This should directly benefit not only the commuters who are dependent in part on railroad transportation, but also beneficial to all of the communities in which commuters reside, as taxable values will be maintained or improved as transportation is assured or improved, some municipal units will receive temporary direct tax aid, and the railroads will be assisted in making constructive changes and providing better equipment and service. The Hudson & Manhattan will probably get substantial help as an important link in supplying cross-river transportation. If acceptable transportation of passengers is provided to the west shore of the Hudson River by various transporting agencies, it seems appropriate that New York should share with New Jersey in the responsibility of providing a means of crossing the River. It is fortunate that the amount of probable available surplus revenues is being restudied at this time because any failure to realize such revenues could upset seriously a well-conceived program of comprehensive character.

A voter, even though he may not be a commuter, who is willing to have confidence in the administration of the surplus revenues, can logically favor the proposal. If it is assumed that the surplus revenues may level out in a few years to only half of the original estimates of the sponsors of the plan, or about \$12.5 million annually, this is still a sufficient amount to provide useful and valuable assistance, if studiously and intelligently apportioned in a long-range and constructively planned program.

Although reasonable objection to a continuation of the toll charge can be made, the possible benefits to the State as a whole, its communities and citizens, are such as to outweigh this and other objections. The greatest concern should involve the continued independence of the Turnpike Authority and the wise use of the surplus revenues.

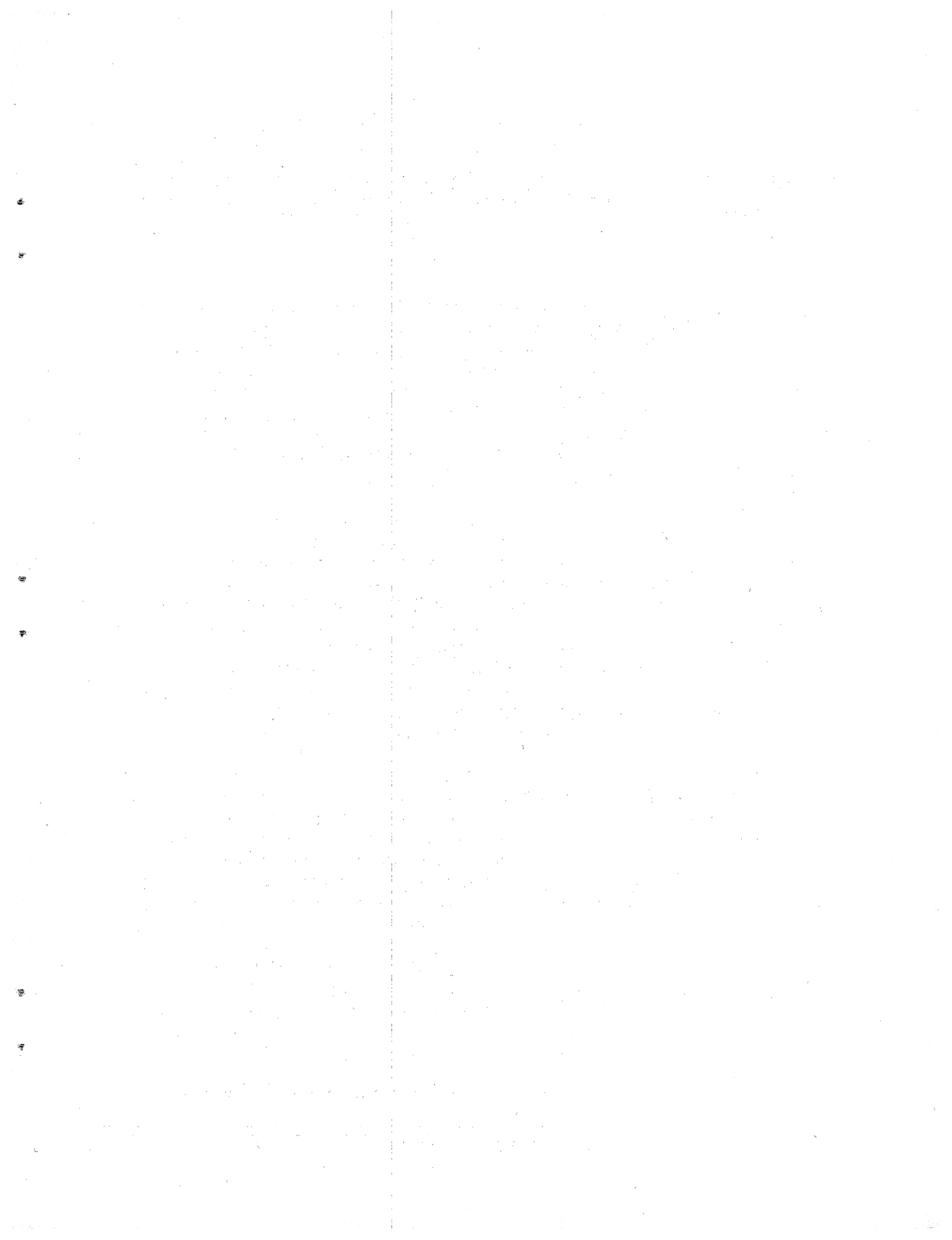


Re: Views and Vote on the Transportation Aid Bill, A-692, as now written.

1. I fully endorse the general principles outlined in the Bill, and believe that subject to the addition of suitable limitations and controls, the Bill should be adopted, as being in the best interests of the State of New Jersey, and being the only immediately available means for meeting a vital, and pressing need.
2. I do not favor including any limitation on the amount of surplus funds from the Turnpike which may be used for the purposes of the Bill, since I am satisfied that the Turnpike Authorities will be careful to retain, and not declare as available surplus, any funds for which they can justify use. Also, it does not seem wise to place an arbitrary limit of say \$100,000,000 on the funds to be diverted for transportation aid, and then spend from \$17,000,000 to perhaps \$50,000,000 to insure that sum being made available, by the bondholders. The price is disproportionately too high.
3. I favor limiting the number of years the present Transportation Aid will be provided, for, in my opinion, if the railroad problem is not solved within about ten years, with the interest and co-operation of the railroads operating under the private enterprise system, we will be forced into some form of County, State, or even National ownership and operation of the railroads, since the public interest requires the maintenance, and even improvement of, railroad passenger service, and especially so in the suburban metropolitan areas, where the highways can never be adequate for the safe, fast, reliable, and all-weather movement of the public in large numbers. A limit of 1972 added to this Bill will satisfy the public that this project will not continue forever, but if at that time the State Legislature believes that the time should be extended, they can easily do so by passing an appropriate Bill.
4. It is also my belief that it would be in the public interest to provide for a "Review Board", or committee, made up of qualified citizens or municipal officials, which would study, evaluate and make recommendations to the Legislature regarding the specific projects on which the Division of Railroad Transportation wishes to spend money. Since it is always the taxpayer who, directly or indirectly, pays the bill, and is going to be affected by what the Division of Railroad Transportation does, justice and common sense require that the taxpayers be represented at the level which makes the decisions regarding suburban railroad passenger service.

It has been an honor, and a very rewarding experience to serve as a member of Senator Jones distinguished Committee, under the wise leadership of Dr. Jesse Davis.

Thomas T. Taber



August 18, 1959.

Honorable Jesse H. Davis,  
Chairman of the Committee.

Dear Mr. Chairman:

In accordance with the authority conferred on me as Chairman of the Sub-Committee to interview the members of the New Jersey Turnpike Authority, I met yesterday at the Authority office in New Brunswick.

Originally, I had selected Mr. John S. Linea as a member of my Sub-Committee but he later found that he could not attend. I then tried to contact you and found that you would not be in your office yesterday and later discussed these matters with Senator O'Mara.

There were present at our conference yesterday the following:

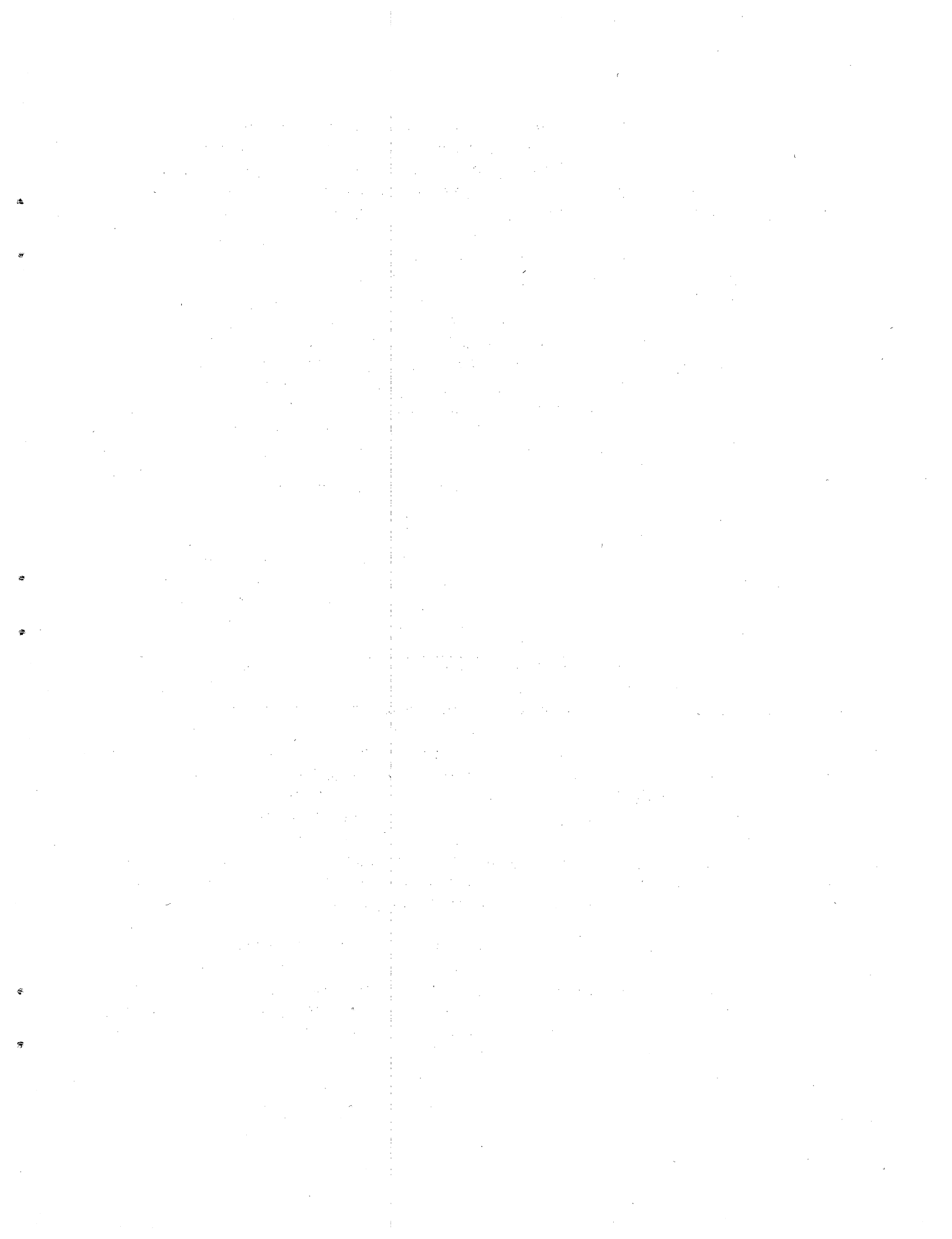
Representing the New Jersey Turnpike Authority:

Chairman Joseph Morecraft, Jr.  
Vice Chairman Cornelius E. Gallagher  
Executive Director W. W. Wanamaker  
Counsel Grover C. Richmond

Representing the State of New Jersey:

State Highway Commissioner Dwight R. G. Palmer  
(Chairman of the Governor's Committee of the Division of Railroad  
Transportation of the Highway Department)  
State Highway Engineer Otto H. Fritzsche  
Financial Advisor W. F. Morgan of Blyth & Company  
Financial Advisor to Division of Railroad Transportation G. I. McKelvey, Jr.  
Bond Counsel Henry E. Russell of Hawkins, Delafield & Wood  
Representing the Attorney General, David W. Satz, Jr., Deputy Attorney  
General

I was assigned my old seat at the table which I occupied for more than eight years as Chairman of the Turnpike Authority and opened the meeting with the statement that the meeting was concerned with a very vital problem which had been outlined in Commissioner Palmer's report to the Governor entitled "A Proposal Towards Solving New Jersey's Transportation Problem".



I stated that I was present as Chairman of a Subcommittee to afford the members of the Turnpike Authority an opportunity to be recorded on any opinions which they had of the proposed plan and more particularly to give them an opportunity to voice their opinion of publicized surpluses from Turnpike revenues which might be available for other uses. I expressed my own personal viewpoint that I entered the discussion with an open mind.

I stated that I was vitally concerned as a citizen of the State, and particularly because of my past service as Chairman of the New Jersey Turnpike Authority, with the effect of the projected plan on the Turnpike Authority, their current and projected surpluses and their ability to carry the projected load and mature their current outstanding bonds of something in the proximity of \$430,000,000. I added that it was universally acknowledged that we had developed here in New Jersey a fiscally sound facility which could mature all of its obligations in 1974... obligations which do not mature until 1985 and 1988, and that this facility could be a valued asset of the State in years to come. I then added that if we are to divert these funds from this facility we must be sure that we are not dissipating these funds for some temporary present advantage and that in order to determine this we should know the answers to the following questions. The subject matter of these questions are generally set forth below with my understanding of the answers which they developed:

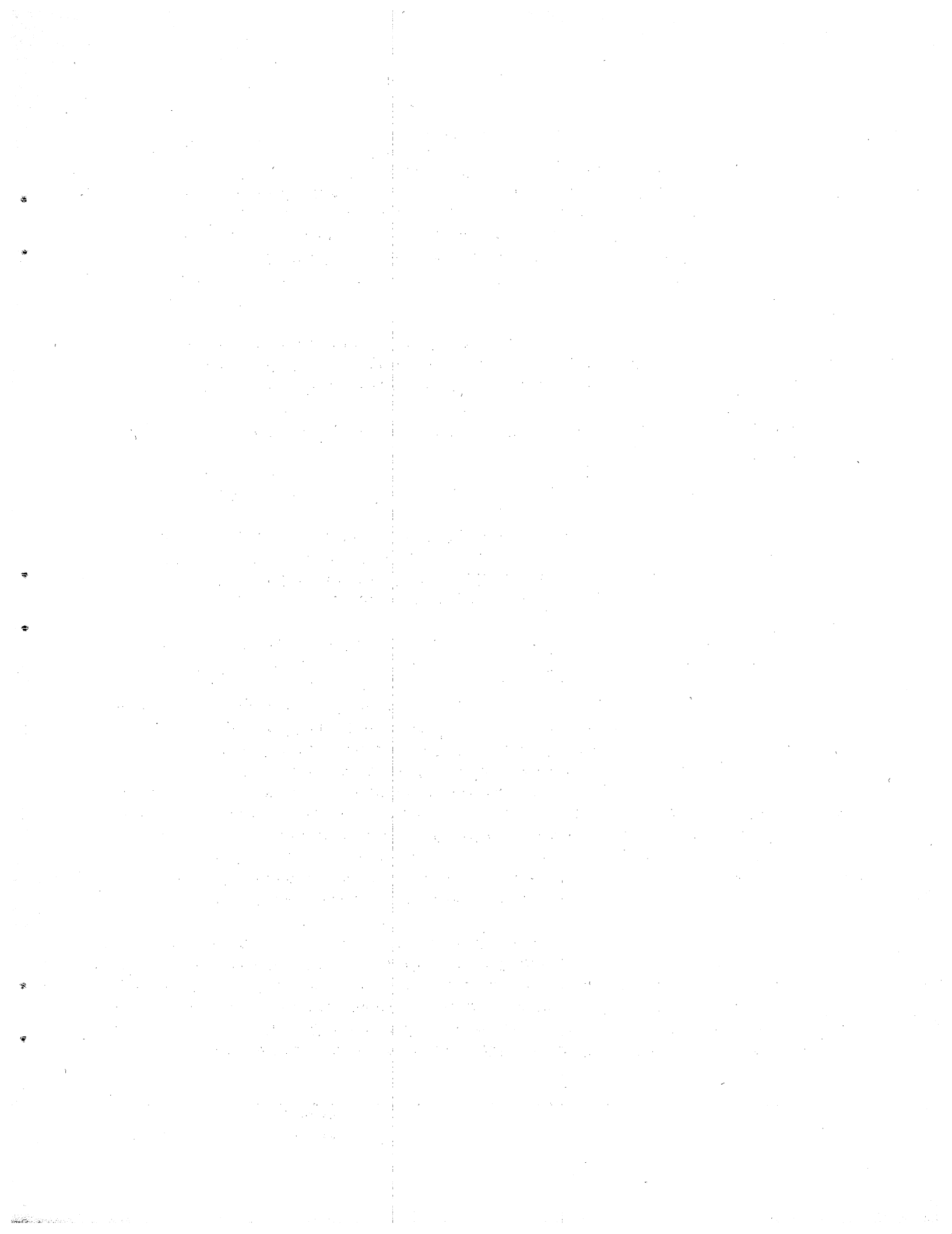
- (1) The amount of funds currently available from present surpluses. While this was originally projected at \$32,000,000 it was eventually agreed that the sum would more likely be \$29,000,000, made up as follows:

\$14,000,000 from excess construction funds which have not yet been declared surplus.

\$36,000,000 from current surpluses; making a sub-total of \$50,000,000.

From this there is to be deducted an opinion that \$21,000,000, or 18 months interest, would have to be retained by the Turnpike Authority, leaving a net balance of present surpluses of \$29,000,000.

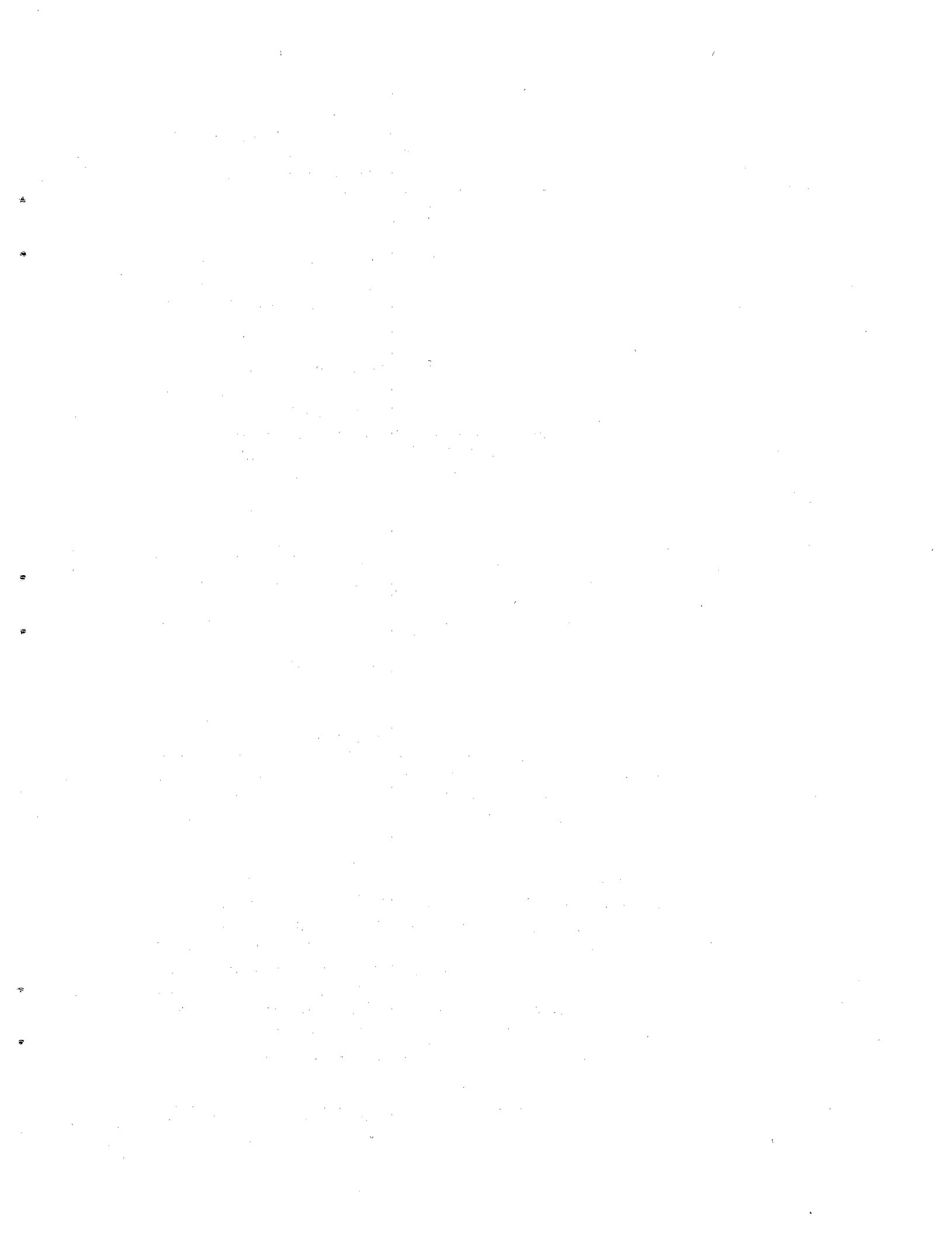
- (2) The amount of surplus funds which would become available in the period between 1960 and the maturity of the bonds in 1985 and 1988. Commissioner Palmer's financial advisors stated that the original figure of \$630,000,000 was based upon 91.4% of the projections made by Coverdale & Colpitts at the time the last issue of Turnpike bonds was offered to the public in 1955. They stated that the Turnpike currently was running 93.6% of these latest and oft-revised



estimates of the Turnpike traffic and revenue experts. Discussion disclosed that these same financial advisors had produced another compilation based on 80% of the traffic engineer's net figure which would result in \$469,000,000. They stated that this latter figure would provide an average per year cushion of \$5,600,000 between this later estimate and the original estimate of \$630,000,000. It then developed there were estimates by the Turnpike Authority which were in the total amount of \$325,000,000 based upon the 1958 results and that the current operations of the Turnpike were 10% higher and that with economies in projected operations and improvements the sum might be as much as \$405,000,000.

Further discussion brought out the fact that the Comptroller of the Turnpike Authority had estimated these future surpluses between the period 1960 through 1988 as \$287,000,000 to which there could be added the current accumulated surplus of \$29,000,000, making available a total of surplus funds which could be diverted, of \$316,000,000.

- (3) My third inquiry, much of which is discussed above, was regarding the total amount of surplus funds which might be diverted. Here we have opinions which originally started at \$630,000,000, could be reduced to \$469,000,000, might possibly be \$405,000,000 or \$325,000,000 and, if the Comptroller's figures are accepted, could be as low as \$316,000,000. (NONE OF THESE ESTIMATES GIVE EFFECT TO THE COMPETING FREE FACILITY WHICH IS LATER DISCUSSED)
- (4) I advised Commissioner Palmer that our Committee was interested in knowing whether the amount of surplus funds as finally determined, and which might be as low as \$316,000,000, would be sufficient to do the job which he is recommending and would not just serve as a stopgap. I told him that I did not expect that answer at the current meeting but thought that he should be prepared to discuss this matter at the meeting of the full Committee on Wednesday.
- (5) I stated that our Committee was interested in maintaining the Turnpike as the kind of a facility which will continue to attract traffic and best serve the State. The answer to this particular question is combined with that of the next question I asked.
- (6) I stated that the Committee was vitally concerned in knowing how the north-south traffic could be adequately cared for until the final maturity of the Turnpike bonds in 1988. This brought forth an opinion from State Highway Engineer Fritzsche



that the Highway Department studies indicated that construction of a paralleling free facility would have to be started in six years and completed in 1972. This facility would be known as a new Route 1 and would extend from Trenton to the George Washington Bridge. The Highway Department studies indicated that eight additional lanes would be required by that time, four lanes in each direction. The fact that the Highway Department was considering a paralleling free facility, a limited access highway similar to the Turnpike, which would be in operation in 1972, seemed to come as a shock to members of the Turnpike staff.

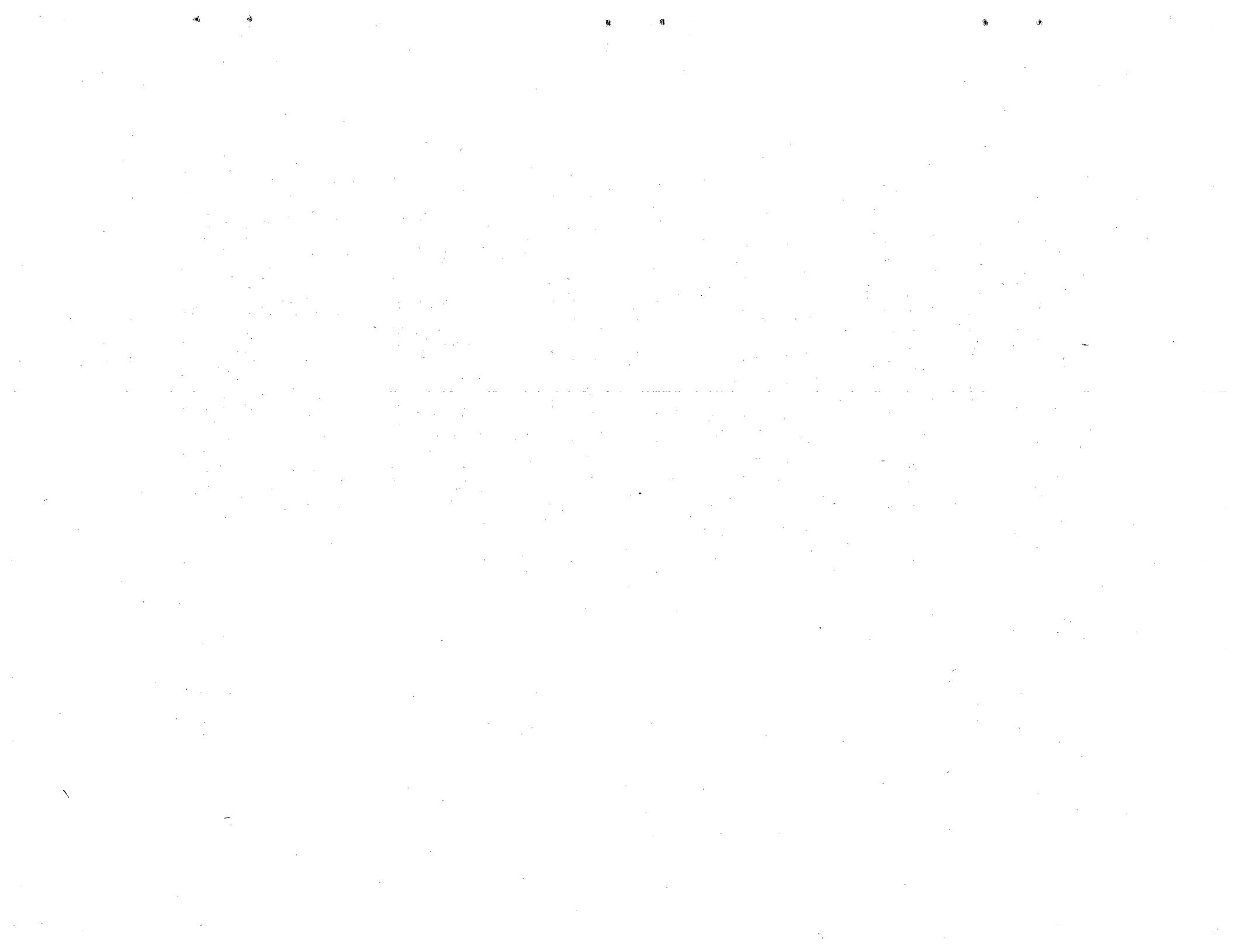
The projection of this new Route 1 is not new and I had an agreement with Commissioner Palmer while I was still Chairman of the Turnpike Authority that this would be delayed until the end of the Federal Road Program which was generally in 1972. At that time, however, we had assumed that the Turnpike would have a very minimum of debt outstanding.

Under the present plan, with surpluses being used for other State purposes, there would be a considerable Turnpike debt still outstanding as discussed below and I gathered that the Turnpike staff had assumed that the projection of the new plan had eliminated consideration of this paralleling free facility.

I developed that the financial advisors to Commissioner Palmer estimated that there would still be outstanding at that time in 1972, when the free facility came into being, Turnpike bonds in the total amount of \$280,000,000 of which \$133,000,000 would be Second Series Bonds and \$147,000,000 would be Turnpike General Revenue Bonds. There was a considerable discussion and many expressed doubts as to the ability of the Turnpike to exist during the period from 1972 to 1988 and mature \$280,000,000 in bonds with the competition offered by a paralleling limited access free facility. The fact that this additional facility would be needed was not questioned in any serious degree.

The State Highway Engineer stated that they intended to develop this paralleling facility with only a limited number of interchanges and that it would be designed so that additional interchanges could be added in the future. He stated that the State Highway Department had done this before, but upon questioning, admitted that it had never been done and that they were without experience in doing it in competition with a toll highway. I frankly expressed the opinion that I did not think it could be done politically.

The net result of this discussion seems to be that the Highway Department recognizes the need for eight additional lanes paralleling the Turnpike if traffic is to be accommodated in this north-south corridor and that they have definite plans to create such a facility and have it in competition with the Turnpike in 1972.

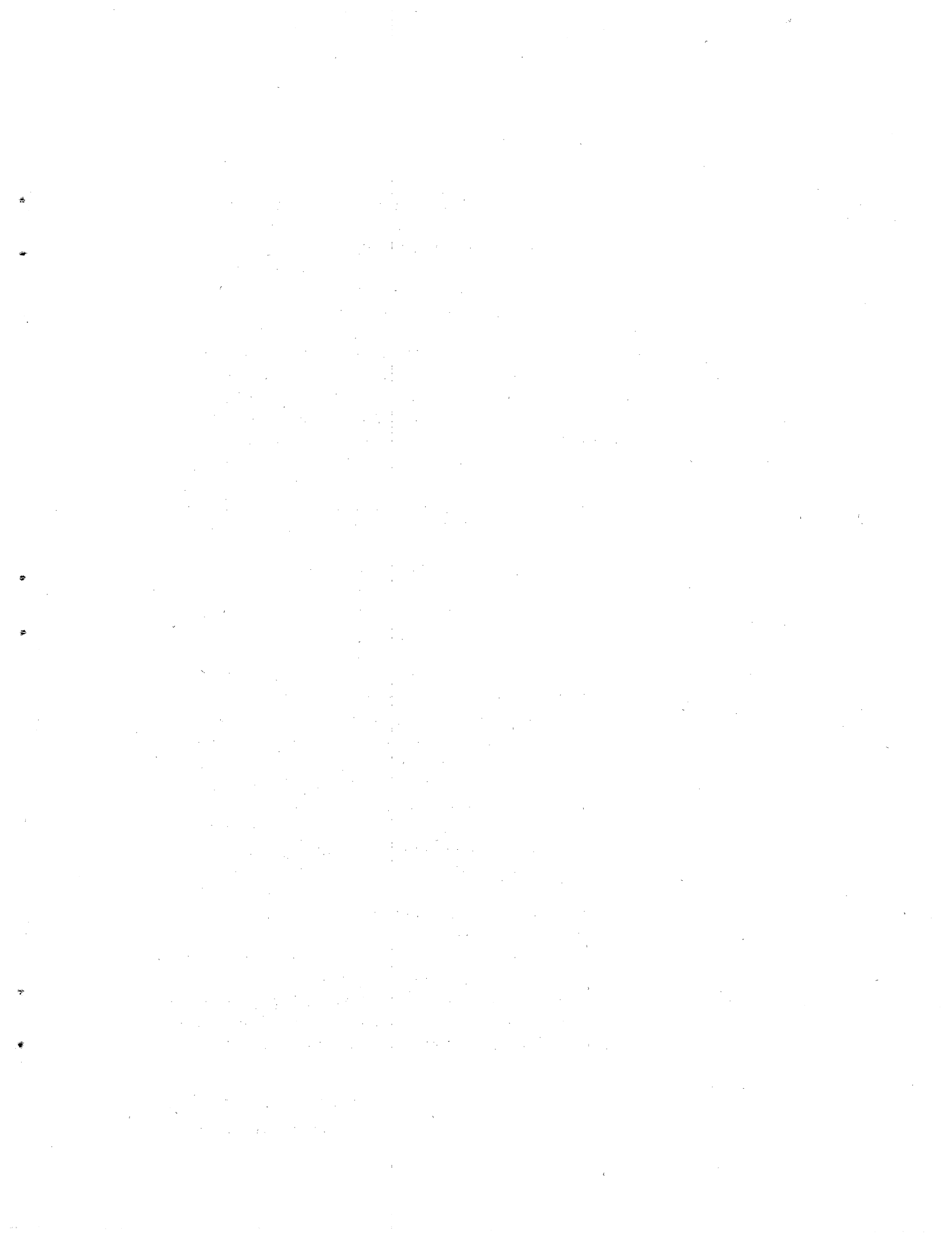


While we did not discuss the amount of surplus available through 1972, the tabulation of the Comptroller's estimates, which was given to me at the meeting, indicates that the surplus which will be accumulated between 1960 and 1972 is \$103,688,000. This is exclusive of the \$29,000,000 in available current surpluses.

Beginning in 1973 and extending through 1987, the Comptroller's figures indicate that there will be a total in net revenues of \$538,153,000 and that of these net revenues, after deducting bond interest and maturing the remaining outstanding bonds, the Turnpike will accumulate a surplus of \$182,022,000. These figures do not take into consideration the effect of the paralleling free facility and if this facility should affect the Turnpike net revenues adversely by approximately 33.8%, it would completely eliminate all surpluses in this period beginning in 1973.

It is perhaps needless to add that if the impact of the new free facility is greater than this percentage, the Turnpike will be in financial difficulty.

- (7) My next question largely revolves upon the information discussed immediately above and was concerned with Turnpike revenues being seriously affected by competitive free highways.
- (8) I then asked if there was reasonable expectation that the bondholders would favor this plan at a cost that would not be prohibitive. This resulted in a rather prolonged discussion which developed these opinions:
  - (A) That if they failed to get the approval of 66-2/3% of the bondholders, and this was construed to represent 66-2/3% of each of the five individual issues of Turnpike bonds, that the resultant cost in calling the bonds and issuing new obligations would make the entire plan impractical from a financial viewpoint.
  - (B) The financial advisors stated that they currently had a list of some 2,000 names of Turnpike bondholders which they were still compiling and that their best judgment, from discussing the matter with a cross section of these bondholders, indicated that the exchange might be accomplished for an additional quarter of one per cent interest across the board which would be an average of \$600,000 per year for 29 years or a total of \$17,400,000.



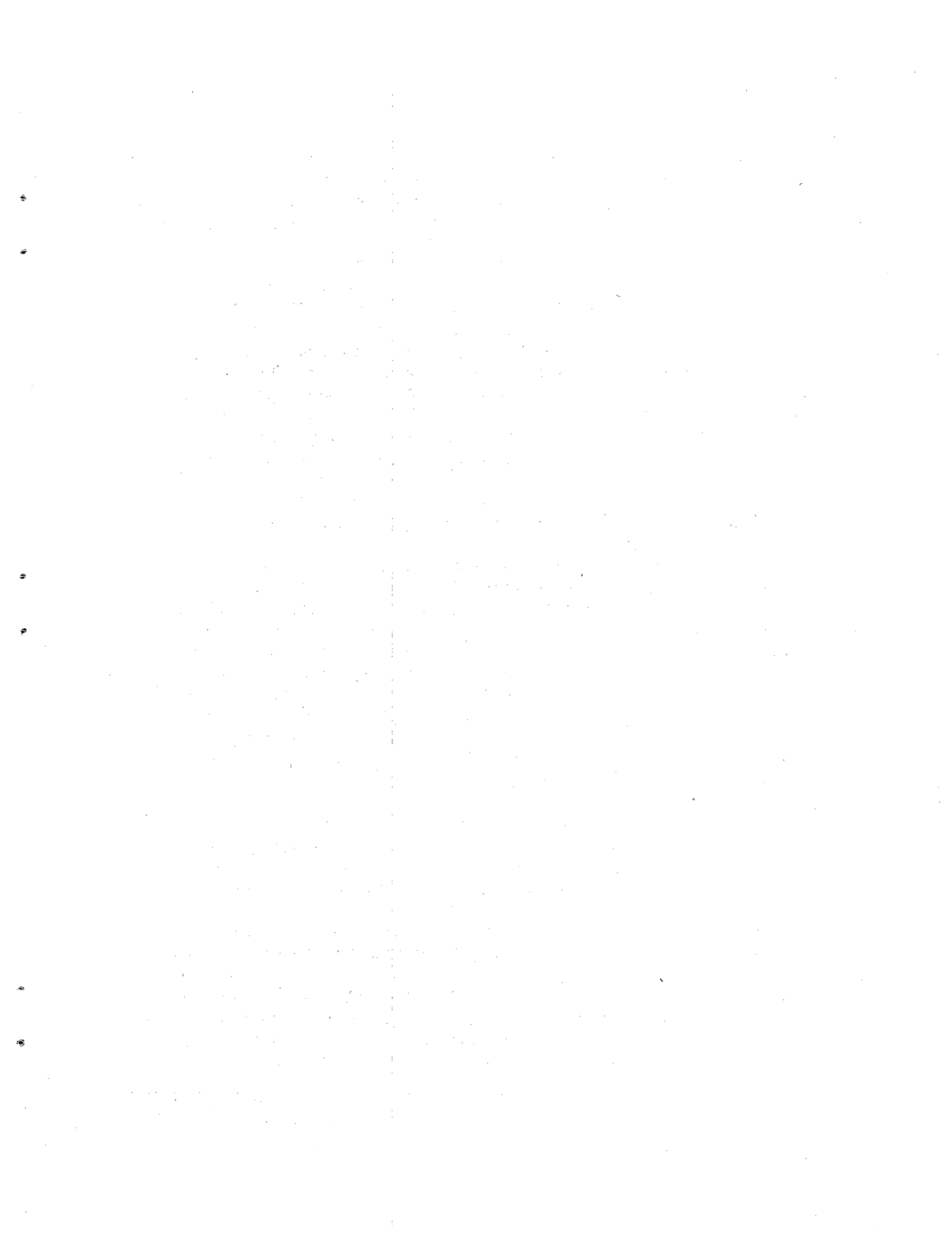
This, of course, would be in addition to the added interest expense of something over \$100,000,000 which would be incurred in having these bonds outstanding until maturity in 1985 and 1988 as opposed to using all surplus revenues and maturing these bonds in 1974. They stated that their limited inquiries indicated approval by 20% of the bondholders, but they did not discuss the percentage as it applied to individual issues.

Inquiries developed the fact that approximately \$106,000,000 Turnpike bonds are in the hands of "professional buyers" and that something in the nature of \$300,000,000 of Turnpike bonds are in the hands of the "non-professional group" which includes savings banks.

They further stated that inquiries to two of the leading services (Moody's and Standard) indicated that the State guarantee of the \$430,000,000 of Turnpike bonds would not change the State rating even though the current State indebtedness is only approximately \$350,000,000 and there are other present or prospective guarantees on the part of the State for the obligations in connection with water development and the Garden State Parkway. They gave as their reason for this opinion the revenues from the Turnpike obligation which will be available to the State. They also voiced the opinion that many of the investors were interested in having their obligations converted into this rather unique form of bond which would have both the State guarantee and the added protection of sinking fund provisions which currently prevail in the General Revenue bonds of the Turnpike and which are contemplated to be added in the case of the Second Series Turnpike bonds.

As the discussion continued and these advisors seemed to be hearing for the first time that the State contemplated a paralleling free facility in operation by 1972, they expressed the opinion that this would be of added weight in obtaining the approval of the holders of the present Turnpike bonds. This reasoning, of course, would not apply if Turnpike surpluses continued to be used to mature bonds as the Turnpike indebtedness at that time would be at a minimum. There was no discussion of the effect of the proposed new paralleling free facility on their discussions with the bondholders as they had not known of this until this meeting.

- (9) I posed these additional questions to Commissioner Palmer, again stating that I did not expect an immediate answer, but that he should be prepared to discuss the subject at the meeting of the full Committee on Wednesday.



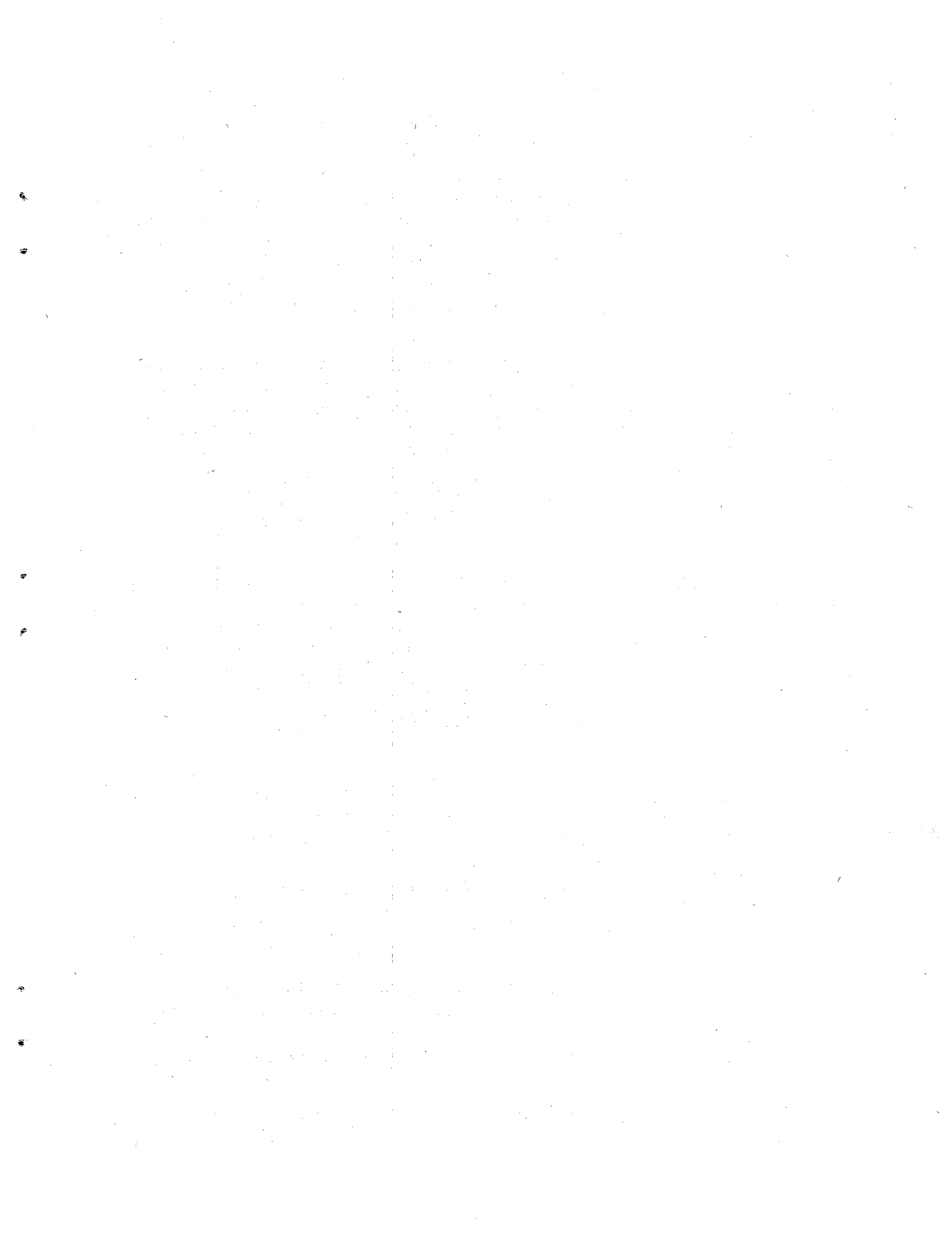
- (A) That judicious use will be made of these diverted Turnpike surpluses.
- (B) That he be prepared to discuss the legislation as passed in the Assembly and particularly the provisions under Section 3.
- (C) That the State overall will benefit from this projected plan and that it will not just be a stopgap agreement favoring a few railroads and 155,000 commuters. In this latter connection, it appears that Commissioner Palmer's estimate of the number of commuters is 230,000.

#### GENERALLY

The meeting yesterday was a good meeting and in the opinion of most of those present accomplished a good deal. The discussion was carried on in a friendly atmosphere and there seemed to be no hesitation in answering questions and putting all of the facts on the table.

While there has not been time to fully develop my own opinions, based upon the discussions at the meeting, I believe that the following facts are self-evident from the above discussion:

- (1) The amount of current surplus available for diversion will not exceed \$29,000,000 and of this total it is proposed to divert \$14,000,000 of excess construction funds which have not been expended. The wisdom of diverting this \$14,000,000 is questioned by some of the Turnpike officials and their advisors, particularly when the Turnpike will be expected to share in the development of a new interchange at Newark Airport and Route 1 and an extension of the Turnpike Hudson County Connection, in order to serve a free facility to Hoboken.
- (2) While the Turnpike originally was supported by 75% out-of-State traffic and, after the construction of the Hudson County Connection, by 67½% out-of-State traffic, the current checks by the Turnpike indicate that 60% of Turnpike traffic is by vehicles registered in the State of New Jersey. This applies to vehicles only and is not a current estimate by the Turnpike of the percentage of tolls which are being paid by the out-of-State motorists.



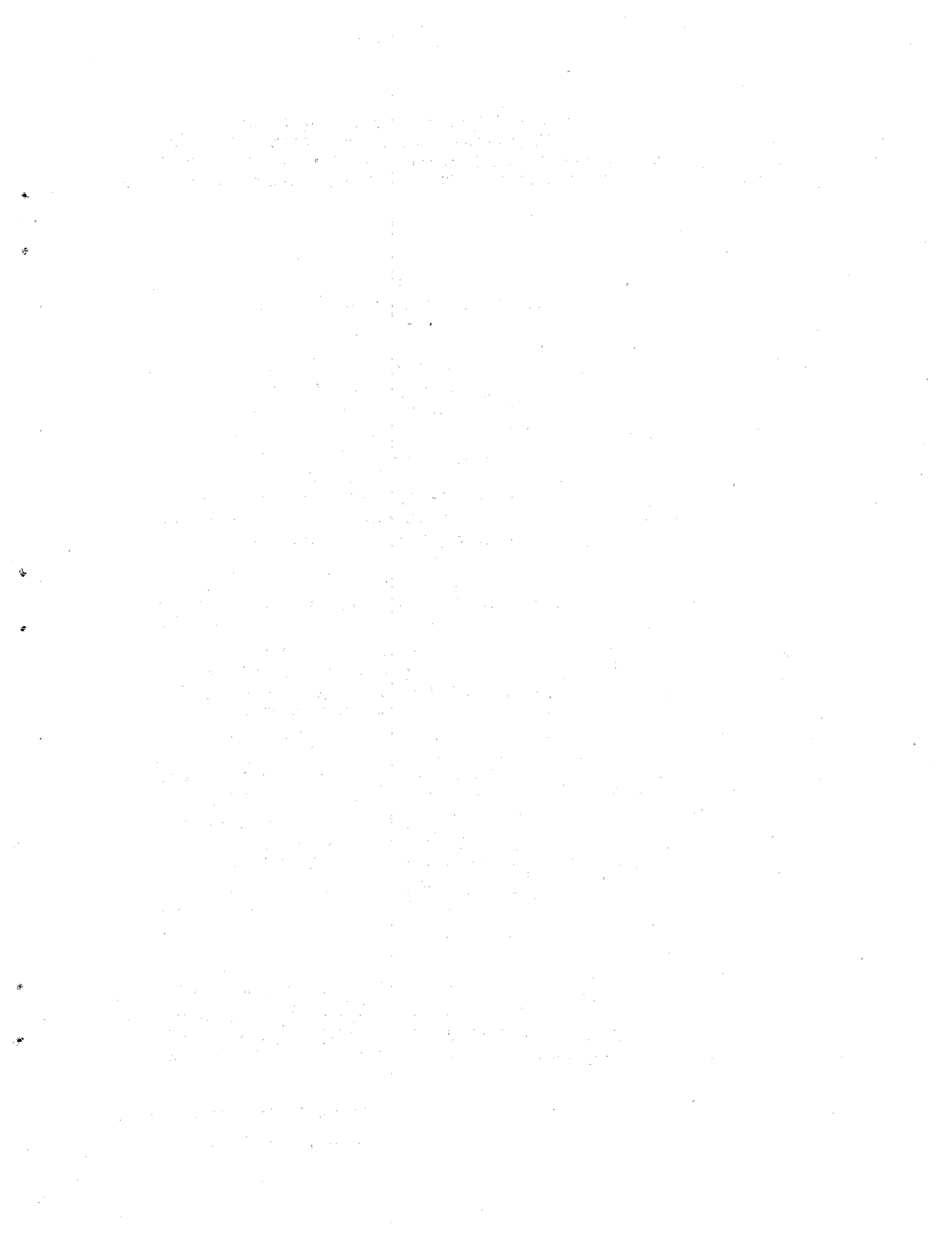
My own opinion is that currently at least 50% of Turnpike toll revenues are contributed by the motorists of states other than New Jersey because of the vehicles being currently weighted by the traffic between the Hudson County Peninsula and Newark which provides a low toll and all of which is New Jersey State traffic.

- (3) If we are to take the conservative viewpoint and use the estimates of the Turnpike Authority, the total surpluses which will be available between 1960 and 1988, and including the current available surplus of \$29,000,000, (part of which is questionable), only a total of \$316,000,000 will be available. It can well be argued that the Turnpike, in arriving at this total, have over-estimated their operating expenses and the funds required for extraordinary maintenance and further development of the roadway and the attendant facilities.

It has now been definitely established that the Turnpike alone, regardless of improvements and enlargements, cannot adequately serve the north-south traffic, particularly in the northern section between Woodbridge and the George Washington Bridge and that eight additional lanes must be available to care for this traffic no later than 1972. At that time there will still be \$280,000,000 in Turnpike bonds outstanding and these must be serviced and matured by 1988, including ordinary administration and maintenance, in competition with a paralleling limited access free facility.

With this new competing free facility coming into being in 1972, I am of the opinion that we must confine our thinking to the diversion of the surpluses which will accumulate between 1960 and that date, of \$103,688,000 to which there can be added the \$29,000,000 in available current surpluses. This would make a total of funds available of \$132,688,000. Even then the traffic per year, estimated to be 75,000,000 cars providing \$47,500,000 in toll revenues in 1972, would have to be maintained at approximately its 1959 rate of 50,000,000 vehicles, providing toll revenue of \$32,000,000 to pay expenses and interest and mature the remaining bonds -- all in competition with a free, limited access highway.

- (4) Extending the maturity of Turnpike bonds will involve an additional \$105,000,000 in interest charges plus an estimated \$17,400,000 in premium bond interest to existing holders.
- (5) Commissioner Palmer's financial advisors seem to think that they can obtain the required consent of the present Turnpike bondholders at a total additional cost not exceeding \$17,400,000 and they are hopeful that this might be considerably less.

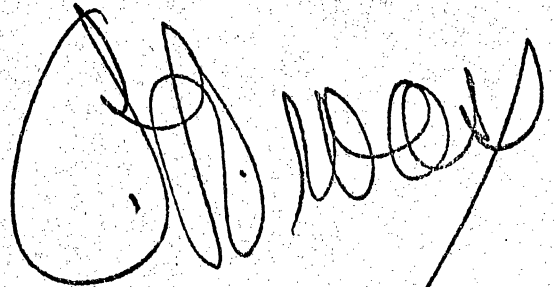


I have attempted to give you the principal facts developed in my meeting with the Turnpike Authority and Commissioner Palmer and his advisors. I have also developed figures which are influenced by the impact of a paralleling free facility being in operation in 1972.

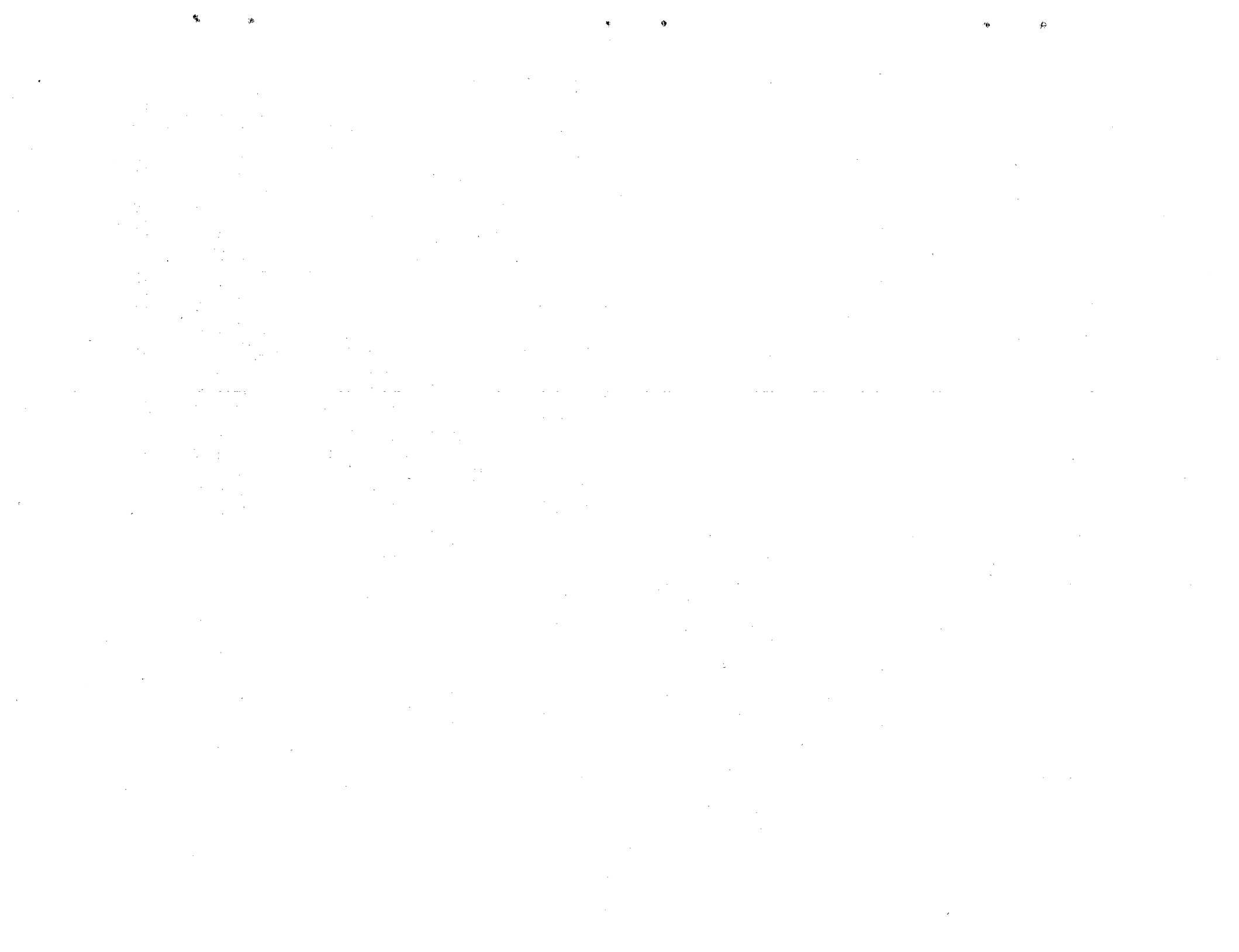
This leads me to the conclusion that the maximum amount of surplus which can be diverted is \$132,688,000. This can only be increased if it is finally determined that the Turnpike Comptroller's estimates of traffic are too low or if his estimates of expenses are too high. The Committee will further have to decide whether it is wise to assume that the Turnpike can remain self-supporting in the period from 1973 to 1988 with the competition of a limited access free highway. With the limited funds which will be available, the Committee will also have to determine whether this warrants the payment of an additional \$105,000,000 in interest charges and the estimated interest premium of \$17,400,000 as well as the continuation of present tolls for the added 14 years.

The question of the State assuming the administration and maintenance of the Turnpike after the bonds have been matured is, in my opinion, a separate question which can be determined later and which can be effectively remedied by the Legislature at any future date.

Respectfully submitted,



Paul L. Troast,  
Chairman, Subcommittee



*The Singer Manufacturing Co.*  
*Singer Building*  
*149 Broadway*  
*New York 6, N. Y.*

TELEGRAPHIC ADDRESS  
"SINGER, NEW YORK"

IN REPLYING  
PLEASE REFER TO

MCL:gm

August 21, 1959

Dr. Jess H. Davis, President,  
Stevens Institute of Technology,  
Hoboken, New Jersey.

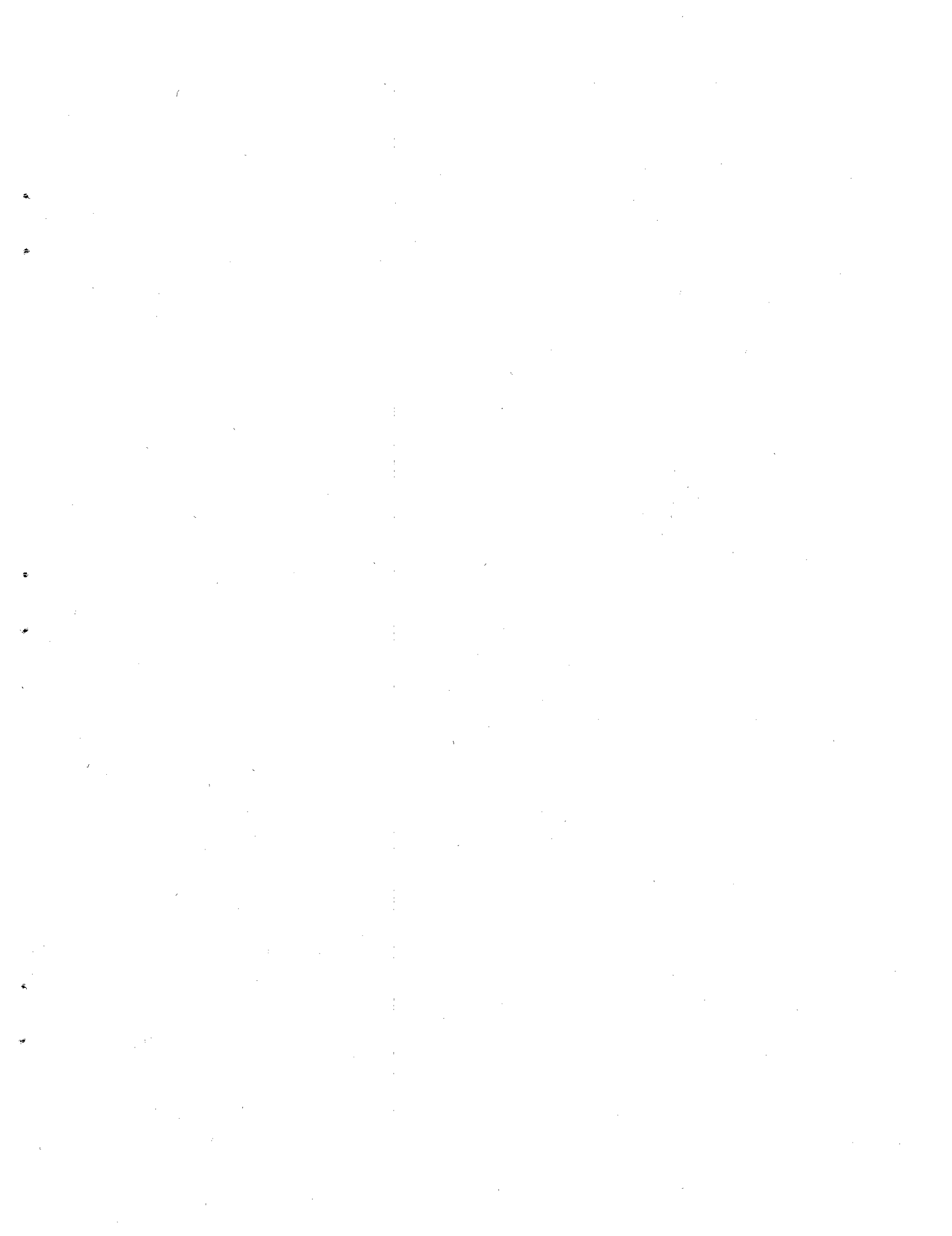
Dear Dr. Davis:

I greatly regret that I will have to miss next Tuesday's meeting of the Committee, as I will be out of town all week. Being unable to participate in that important discussion, I perhaps should not express any opinion, but nevertheless I feel impelled to let you know my present views.

1. The proposal is a stopgap palliative. Both the administration and the legislature have been remiss in not facing up to the realities at a much earlier date.

2. The bill gives evidence of being too hastily drawn. There are doubts as to the constitutionality of some provisions and the catch-all phraseology of the use to which the money can be put is the result of the lack of a concrete plan which should have been devised before the bill was presented.

3. Time has caught up with us and unless some move is made the situation will probably deteriorate to an extent that will inflict grave injury, particularly upon the communities in the commuting area, but also upon the entire state. This injury is not just a matter of inconvenience or daily expense to the commuter, but injury to the entire community because of the blow they will suffer from the effort which many residents will make to dispose of their homes and move to areas offering convenience of transportation. Much as we may criticise this plan, it



Dr. J. H. Davis

August 21, 1959

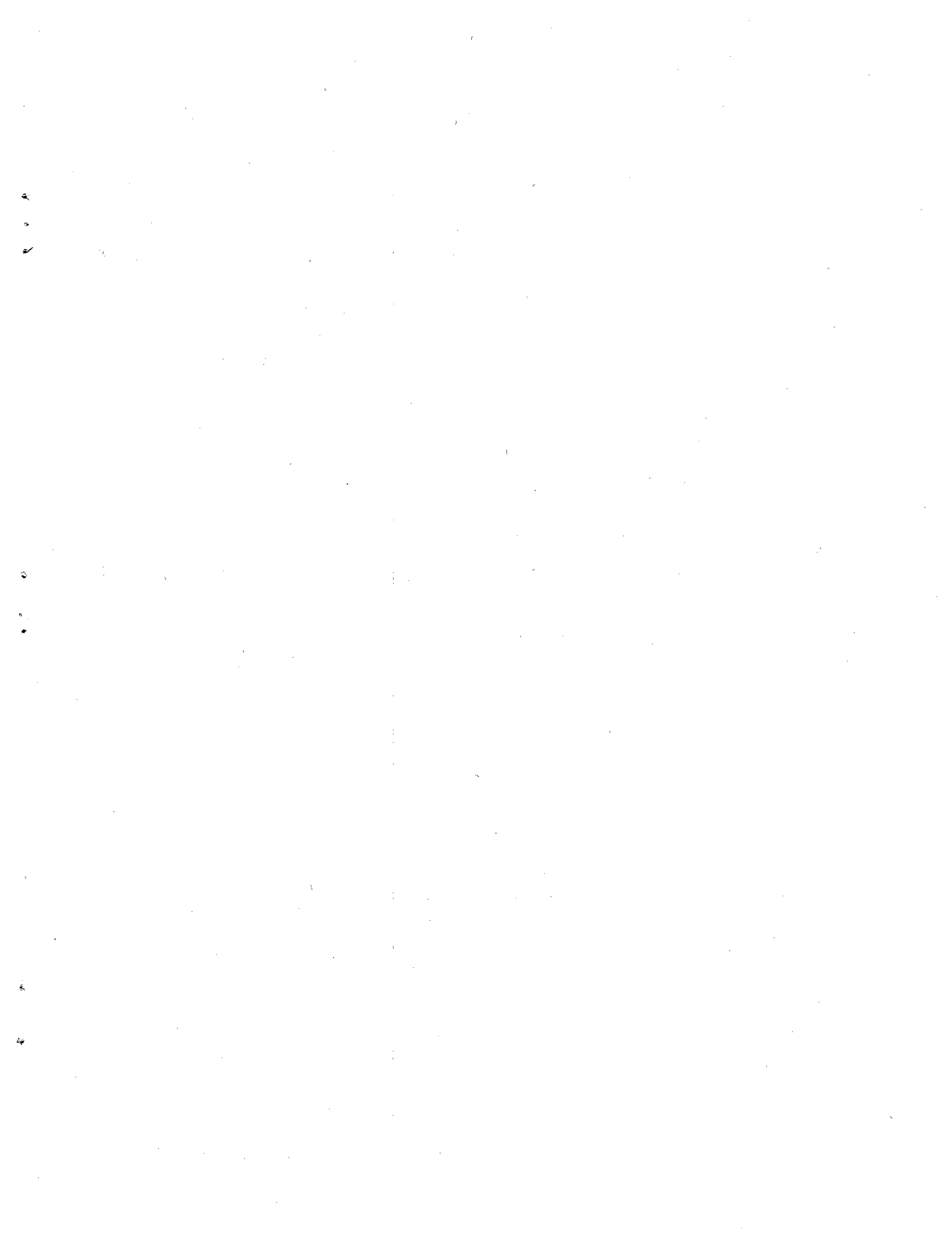
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is the only one now under consideration which offers hope of accomplishing something in the near future which will be at least a holding action even if it fails.

4. Advice to vote for this plan should perhaps be coupled with advice as to corrections that might cure constitutional defects, such as have been suggested in our committee discussions.

5. We should offer suggestions as to desirable amendments. The first such amendment that I believe should be considered would be to place a time limit of ten years on the bill, within which the surplus revenue could be disposed of for the purposes named in the bill. There is grave danger that this legislation will not result in any thoroughgoing solution giving us fast, modern transportation that will serve the public and relieve congestion on our highways and in the cities. Commissioner Palmer, whom I greatly respect, speaks of a five-year period in which he would hope to get into a position where subsidizing of railroad taxes will not be needed. Surely if within ten years a program has not produced results, we should not carry it on to 1988. The people should be given a fresh look at the matter to see if it still thought to be a viable arrangement.

6. The second amendment, I feel, should be considered to be one that would place a limit on the amount of funds that can be used to subsidize taxation. Anyone familiar with the political scene knows very well that the use of this money to help the railroads and to keep up the flow of taxes to the municipalities will create pressures from both parties that will be almost irresistible. The important thing in the program is the creation of greatly improved facilities so that people will return as customers of the railroads and the railroads can again become self-supporting. Helping them out by paying any portion of their taxes is justifiable only as an inducement to them to hold off abandonment of service until they can see whether the



Dr. J. H. Davis

August 21, 1959

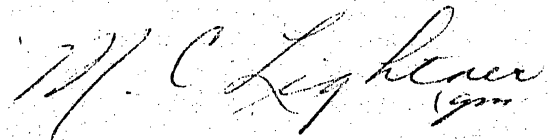
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economic problem is going to be solved on a more permanent basis. Limitation can be in the form of restricting tax subsidies to no longer than five years or some other appropriate period of time, or by limiting the percentage of disposable funds that can be used for this purpose. Incidentally, I believe that adoption of an effective amendment would improve the chances of public acceptance in November, because one great criticism of the plan already is that it is just a tax handout to the railroad and to the communities that receive the taxes. Doing something to prevent abuse of the tax subsidy idea will greatly aid public opinion.

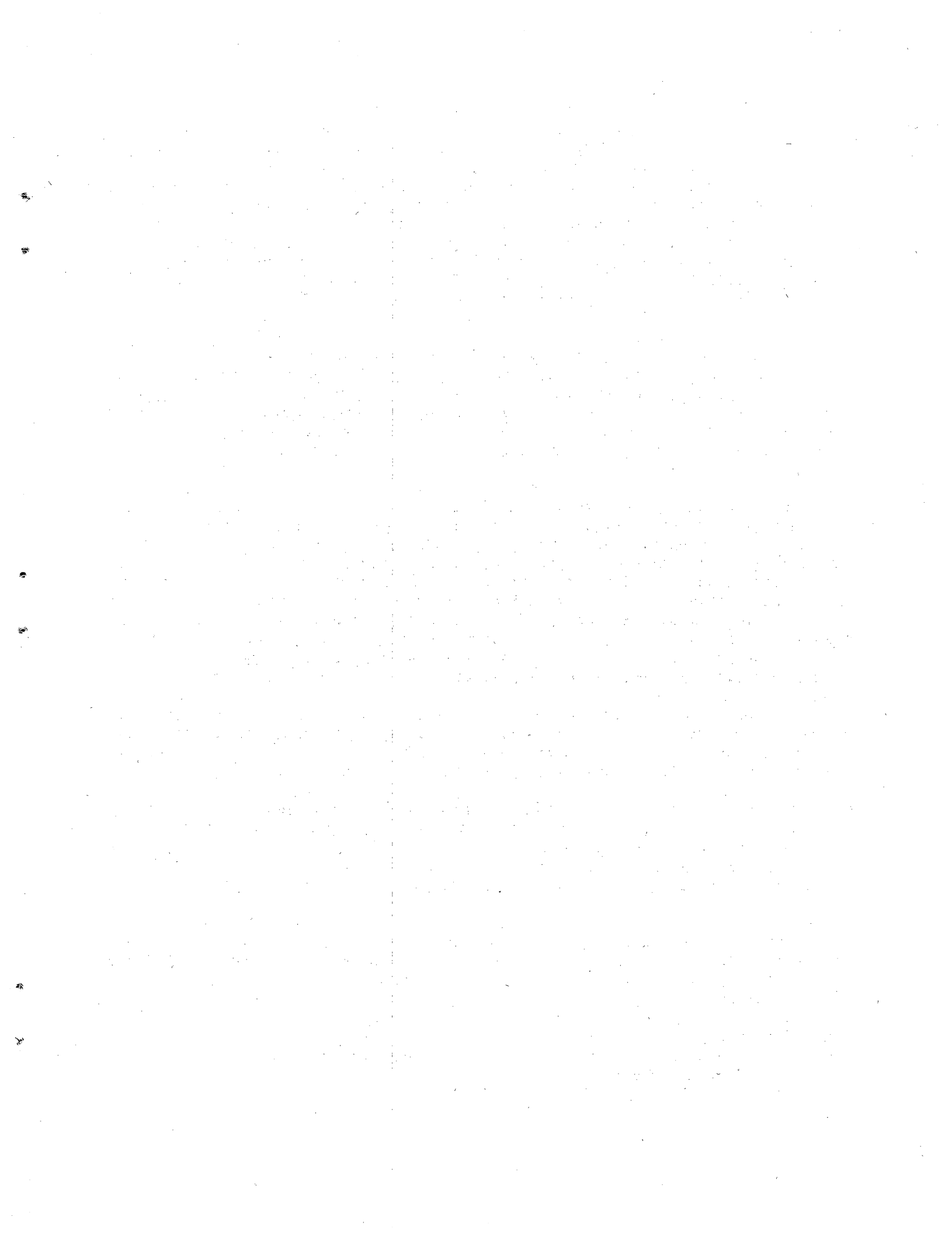
7. Mr. Troast's contribution to our knowledge of the figures and their uncertainties has been invaluable. One thing that struck me was that everyone seems to agree that traffic on the turnpike will, in the absence of a competing freeway, necessitate a bond issue of perhaps a quarter of a billion dollars to provide additional lanes and bridges, and that is regarded as something which should and can be financed, and yet, when experts and study committees have told us for years that a real job must be done on mass transportation, the State government (administration and legislature) recoiled in dread at the cost.

If we face up to the present situation, amend the bill so as to shorten its life to a reasonable period of time, say ten years, remove some of the danger of funds being unduly used for tax subsidy, we will also lay the basis for serious effort at a long-range solution.

Sincerely yours,

A handwritten signature in cursive script, reading "M. C. Lightner".

Milton C. Lightner,  
Chairman



The public is slow to believe that some form of reasonably acceptable transportation will not continue to be available, but gradually such facilities are disappearing. Private industry in general and the suburban railroads in particular, cannot be expected continuously to supply such service at a substantial loss. It is natural that individuals should resent deteriorating service at a higher and higher cost, but the railroads in turn have reason for resentment. Year after year they have sought relief to little avail. Legislation and court action has delayed such relief. The annual deficit, including taxes, for the commuting railroads serving the New York City area in New Jersey, is claimed to be \$20,000,000. in out of pocket costs. Is it to be wondered that they are seeking to abandon such service?

In addition to long delayed approval for fare increases, an important source of relief needed had to come from State and municipal governments in the form of lower taxes. The State especially has been remiss in facing the issue. Municipalities as well are responsible in part for the present threat to their own stability and the debilitated condition in which the railroads find themselves. It is not uncommon for State and municipal governments to wait until an emergency exists before arousing themselves to do something. Leadership and vision are needed in forward planning and this should logically originate at the State level.

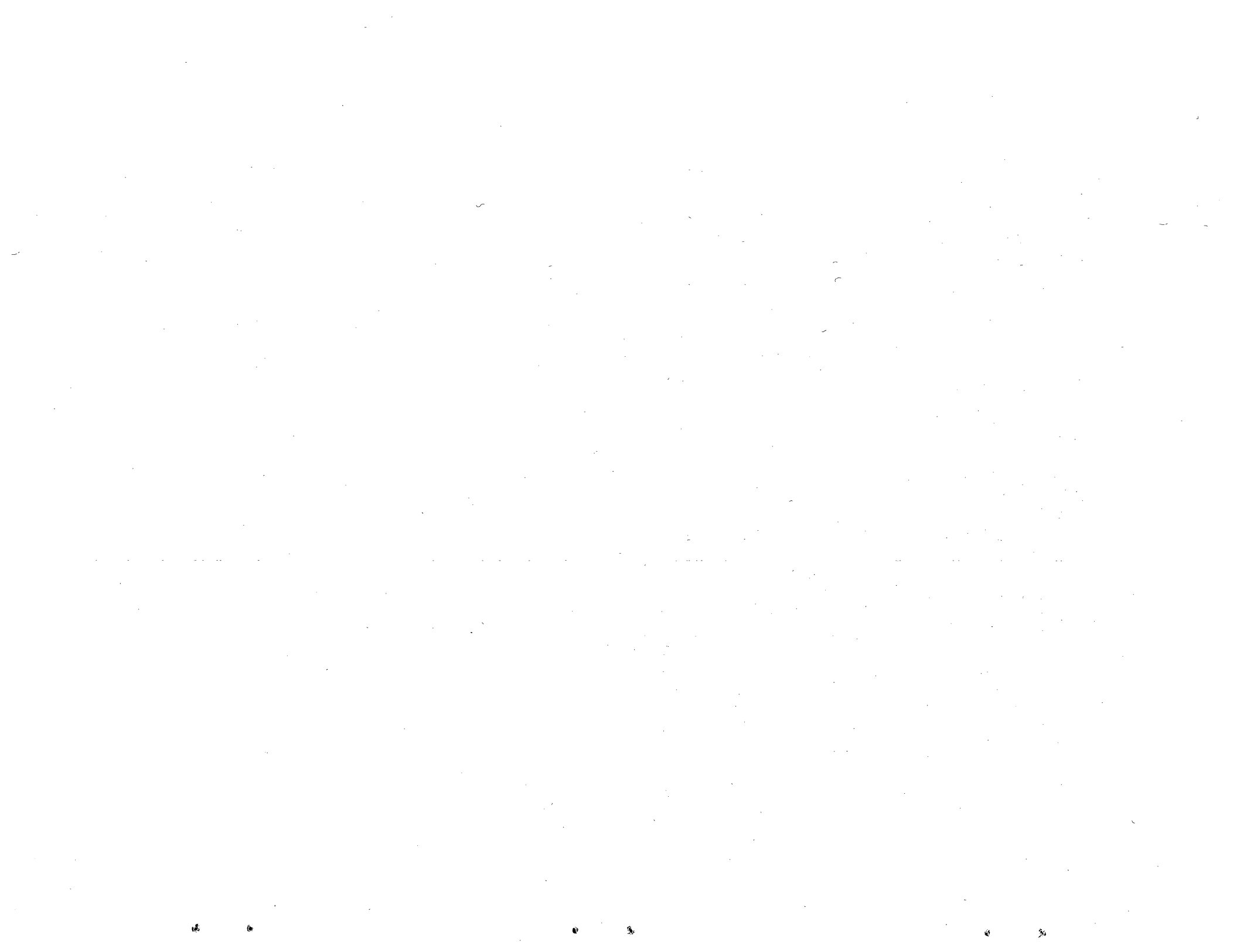
A program is finally proposed which promises to provide some financial assistance. We must not deal with this casually for financial help is an essential. Further than this, however, there is prospect of an objective and constructive program which will require performance for assistance given, and a degree of coordination and cooperation by the transportation agencies not previously envisioned.

There are some difficult barriers to surmount, and cooperation by New York State, New York City and The Port of New York Authority should be assured in the comprehensive planning and operations involved. They all have a direct and sincere interest as well in the major problem of seeing that people are able to get to and from New York and New Jersey.

Because money is necessary in giving effective assistance in this situation, and because none appears to be available from other sources, this is a resourceful and ingenious proposal. There is much dependence on the competence of the State Highway Commissioner and his associates in administering the program under the proposed bill, and one wonders a bit what the situation might be under less able direction. There is involved negotiations with the respective railroads and transporting agencies and a careful guarding and control of the use of the funds. Recommendations to the legislature regarding the use of such funds will call for highly competent business judgment with an independence from political and other pressure groups.

The assurances given our Committee last week by the Commissioner regarding the objective goals and the progress already made in negotiating with different parties fully justifies legislative support and cooperation in this important effort. I believe our Committee should recommend that full support be given the bill in the hope that its sponsors can deal successfully with the problems remaining after legislative approval is secured.

If Senator Jones believes it is possible, without delaying action unduly on the bill to secure any amendments I would favor placing some limit on the amount of money that is to be lifted from Turnpike earnings, as the Turnpike will need a substantial sum to provide for later improvements. Mr. Troast favors a limit of \$100.

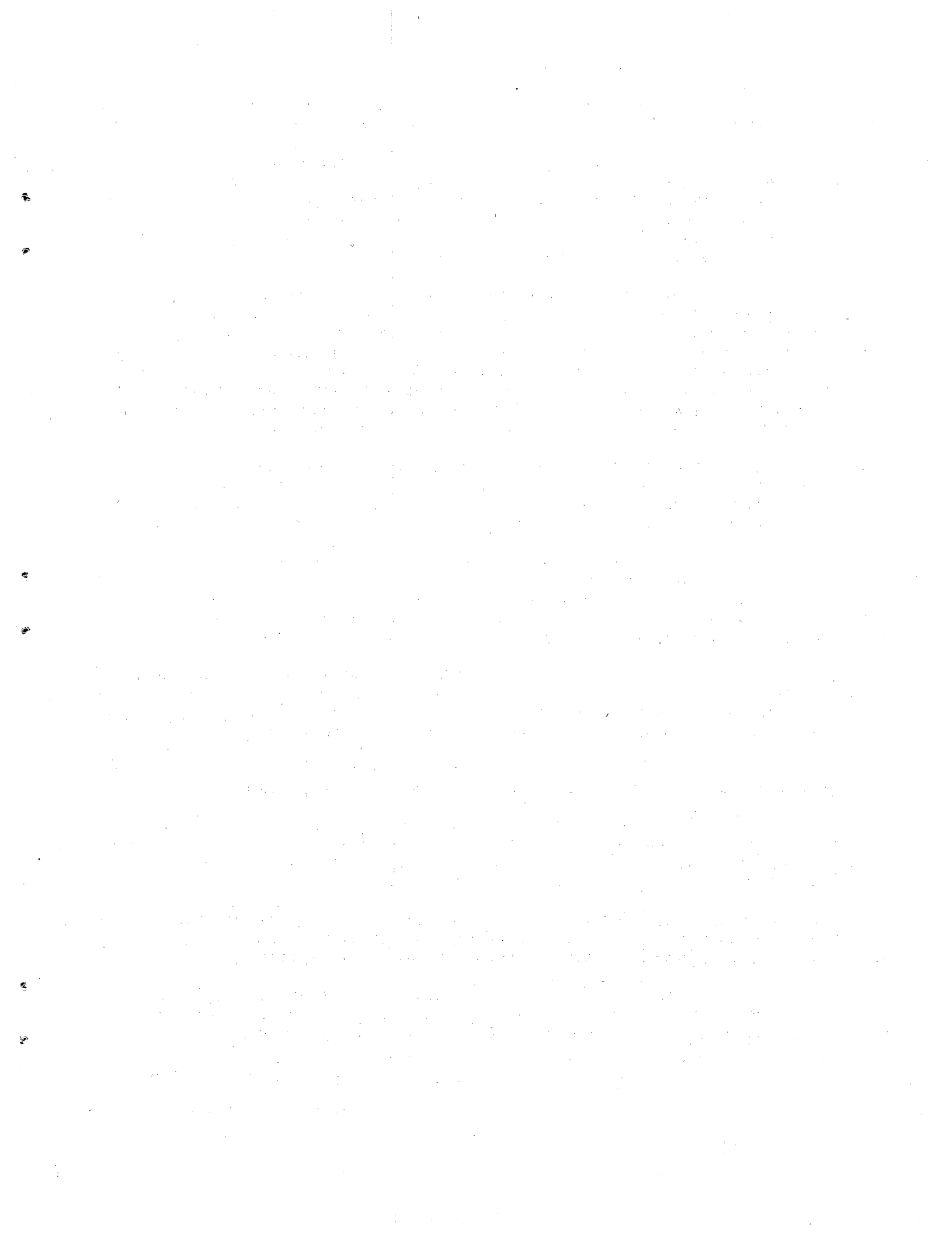


Million. If it is accepted that this amount is needed (Commissioner Palmer spoke of \$80, Million over a five year period) I think we should have some assurance that this amount will be available for the purpose contemplated and not some greatly reduced amount because of other demands on the funds.

*insert from*  
Believing as I do that the cost of satisfying the bondholders may be considerably more than the \$17,300,000 estimated, I would favor a limit of \$100. Million plus the costs involved in securing the consent of the bondholders. If we are going to make an effort to revitalize the transportation facilities and we agree that \$100. Million may be needed, let's be sure we have that and not possibly half that amount, the effect of which would be to provide no fair test of the undertaking. If it is not deemed feasible to secure any amendments to the present bill, I would favor supporting it as is, as I believe that debt service costs on later financing would have a prior claim on revenues ~~and~~ the Turnpike Authority in any case, and with suitable reserves the credit of the Authority would not be jeopardized.

In order that differences of interpretations regarding the intent of the language in Section 3 may be avoided and no claim can be sustained that the State will insure through the years no loss in tax revenues to municipalities, it is suggested that the language in line 8 of Section 3 be changed to read, substituting for the words "insure no" the following - "reimburse, in whole or in part, for any". (Other members of the Committee, better qualified to interpret the language than I, felt there was no reason for apprehension in this matter.)

John S. Linnen



August 26, 1959.

Dr. Jesse H. Davis, Chairman

Honorable Sir:

Permit me first to express my pleasure at having served on this committee under your able stewardship. New Jersey is fortunate indeed to number among its citizens such outstanding, public-spirited persons as are my fellow-members.

I would be remiss not to recall to public attention the depth of perception and objective reasoning displayed by the committee in all discussions, and the sincere interest evidenced by the entire membership in the welfare of the State.

It is almost redundant to say that the problem of mass rail transit is one of the most pressing with which we are confronted to-day. Were all commuter and suburban rail service to cease to-morrow, no area of our economy would remain untouched, no facet of life in suburbia undisturbed.

To be as brief as possible, I ask your indulgence in setting forth my beliefs in the following numerical order:

1. The impact of loss of rail service on our economy, our personal lives, real estate values, and traffic congestion, to cite only a few areas of repercussion, would be extremely difficult to measure. Under such circumstances, it seems advisable, even necessary, to prepare for the worst.

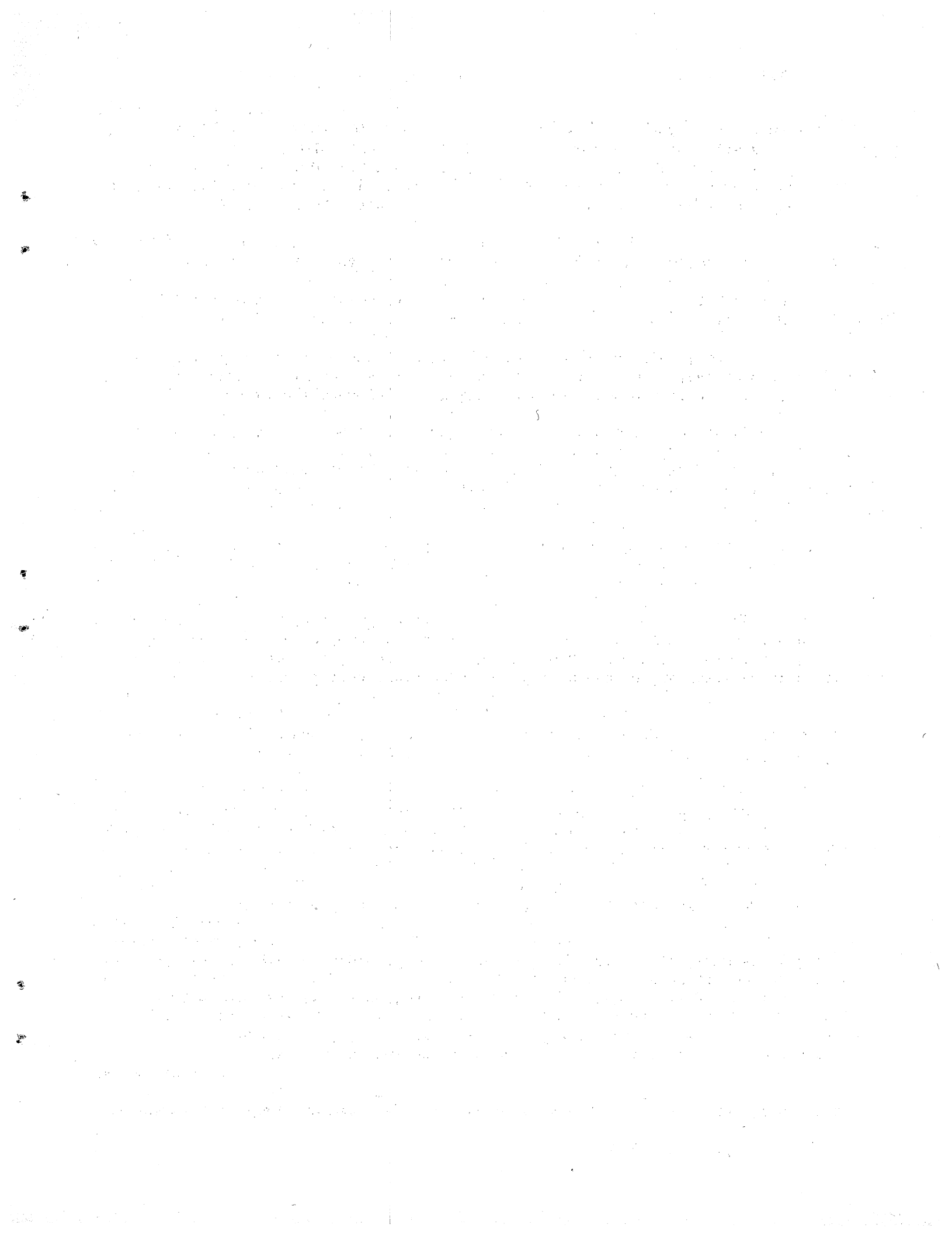
2. Allocation of such surplus New Jersey Turnpike Authority funds as may be available to insure continuance of vital mass rail transportation is not only the sole plan proposed at the moment, but is one that provides funds virtually impossible to obtain through general taxation. It was on this bone of contention that the plan of the Metropolitan Rapid Transit Commission foundered.

3. Railroads have suffered severe financial loss in recent years. This makes the task of providing service an even greater problem, and decisions to abandon are made solely on the basis of loss. No consideration is given by the railroads, nor by the 1958 Transportation Act, to public convenience and necessity.

4. Repercussion from competition with the St. Lawrence Waterway was experienced prior to reopening of the present enlarged Seward, by the railroads. At the time, small vessels were able to offer exporters along the Great Lakes an advantage of 40% over costs of shipping through the Port of New York, on certain commodities. With vessels of much larger capacity, competition is bound to increase. Already the number of ocean carriers in competition for this business has considerably increased. Rate reductions can be expected, in turn producing greater financial problems for those railroads operating between Chicago and other Lake ports, and New York.

5. There are better than 2,250 current commuter hour arrivals at Port Authority's 41st St. New York terminal. If all 75,000 rail commuters were to elect to use buses, an additional 1,667 would be required. To put it conservatively, facilities would be strained. If all elected to travel by car pool, an additional 15,000 automobiles would be required. Where would these be parked in New York, or in New Jersey communities along the Hudson River?

6. Highways, existent or planned for, would be strained to the point of break-down. Traffic jams of enormous proportion could be expected, and late arrivals



at work or home would be common-place. Perhaps even a reversal of the trend toward suburban living could be expected.

8. Real estate values would be depressed, with prospective owners necessarily concerned with the problem of ease of getting to work.

9. Traffic saturation is expected on the New Jersey Turnpike by 1975. Area population is already vastly increased, and can be expected to continue at substantial levels; is, in fact, a factor which will contribute to Turnpike traffic saturation.

10. Railroads are vital to orderly growth. They are vital to defense needs.

11. Railroads alone have the ability to move large masses of people at the least cost. To provide road facilities with sufficient capacity to move people in the same volume as by rail would require an expenditure of \$5.00 for every \$1.00 spent for a rail facility.

12. Los Angeles has found that the solution does not lie in construction of more and more freeways. The problem of movement of people continues there, despite the attempted solution.

13. The "Philadelphia experiment" in coordinating rail-bus transportation at minimum fares not only is continuing, but is being expanded to embrace other commuter and suburban rail-bus facilities. It is becoming evident that the experiment has a more than reasonable chance for success.

These factors were considered by me in evaluating the problem of mass rail transportation with which our New York and Philadelphia metropolitan areas are confronted.

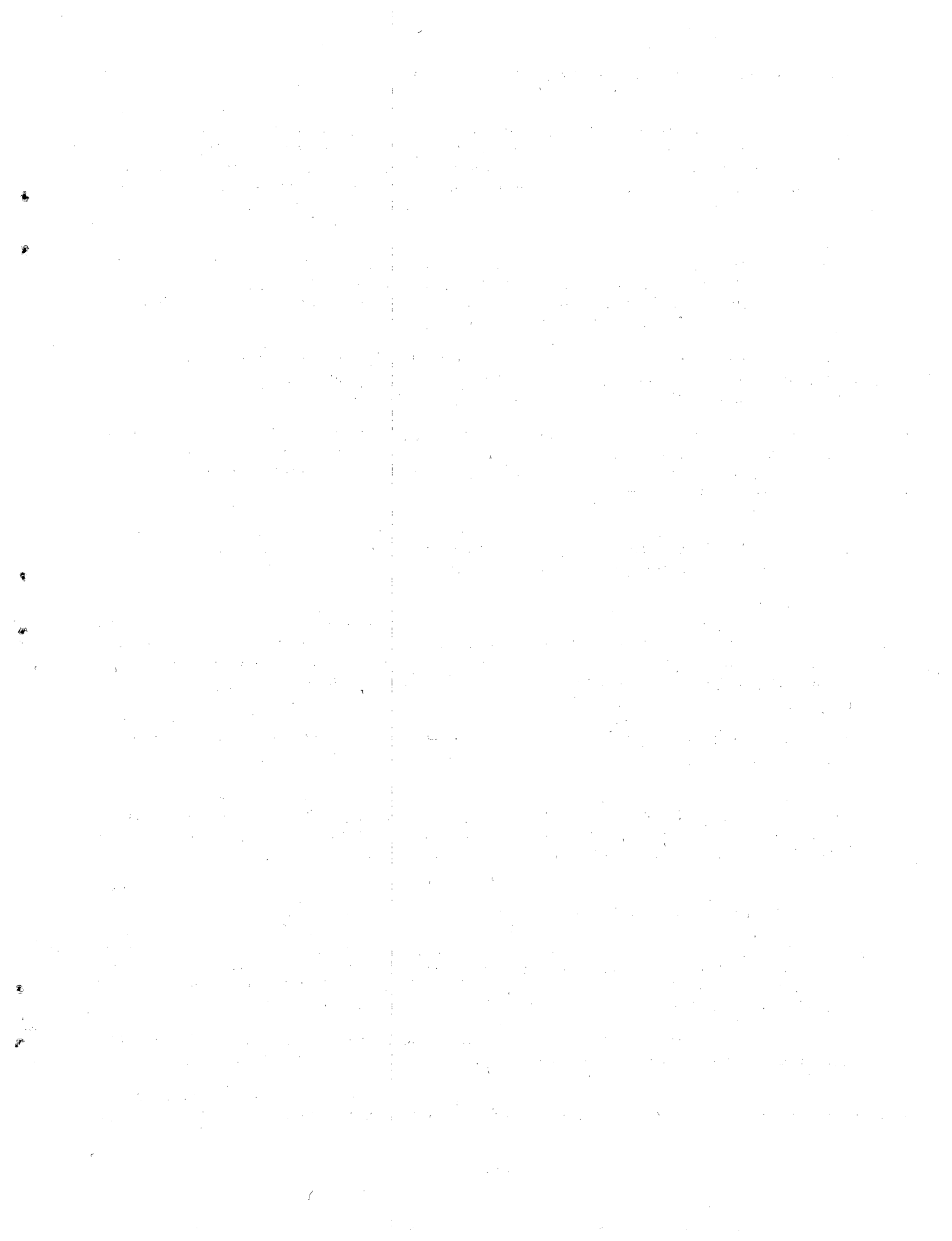
The basic question seems to me to be, "Is mass rail transit necessary?" Related to this question is that of how the problem can be solved, since in my opinion there is no other manner of handling mass movement efficiently than by rail. Further related, is how can this be achieved, from the standpoint of financing.

I am not concerned with the financial problems of any private corporation, rail or otherwise, only insofar as those problems affect the welfare and economy of our State. Rail economy is inescapably tied to the economy of the State.

For the foreseeable future, I view it to be impossible for New Jersey's metropolitan areas to get along without rail service. Hence, if contention of rail officials be valid - that commuter and suburban service is a concern of the communities, a solution to the problem must be found. There is no desire on the part of the railroads to continue such service.

This must be done with the least of disturbance from the standpoint of taxation, since so many other areas (education, for example) are going to require increasingly larger disbursements to continue to maintain high standards. Allocation of surplus Turnpike funds to mass rail transportation needs accomplishes this. I would therefore suggest enabling legislation to place such a referendum on the ballot in November, 1959.

As to such referendum being placed before the voters now rather than in



1960, I believe that time has run out for us. Rail officials have given assurance to Mr. Dwight Palmer that they will await results of this present effort before applying for any further abandonments or fare increases. While I believe they would give greater evidence of good faith by withdrawing, without prejudice, such cases as are now pending, it is only natural that if concrete steps are not taken to resolve the matter now, the tempo of such abandonments or fare increases will accelerate.

Safeguards should be provided, of course, but I believe that a "ceiling" on allocated funds is not necessary since it can be expected that Turnpike officials will protect the financial standing of the Authority, by avoiding unwise allocation of funds. Further, it is the responsibility of the Legislature to pass upon expenditures in this area. Future legislatures might find themselves, by circumstance, "ham-strung," were a limit applied.

I regard a time limit - the committee suggested 1972 - as important. Lack of a "ceiling" on fund allocation would indicate a sincere desire to solve the problem, while by the same token, a time limitation would serve notice that the railroads must help themselves before time runs out.

No allocation, in my opinion, should be made excepting on the basis of work performed. If adequate and fast service, properly scheduled, with better equipment is provided, then allocation should be at the maximum level. If little or no desire is evidenced to improve service, minimum or no relief should be afforded. This pre-supposes eventual establishment of some board charged with this responsibility.

There should, of course, be no allocation for freight operation. Accepting the railroad officials' own contention, that suburban and commuter service is a public responsibility, it would appear that these officials are in agreement on this.

As to present broadness of the law, and contention that public transportation of any description might benefit, it is my opinion that coordination of bus and rail facilities is a necessity. I suggest that when a carrier applies for allocation of funds, the understanding is implicit that it places itself within the jurisdiction of the allocating body, and stands ready to accept the decisions of that body. In this way the public would benefit more concretely, since if a bus common carrier were excluded and operation of such facility were vital to the public interest, it might be abandoned before emergency allocation could be provided, were the area of allocation limited.

To conclude, it is my opinion that the present legislation should be considered as written. Amendments would have the effect of causing death for any solution, while it is always possible to create such additional measures as may be required from experience later on.

I reiterate the pleasure of having shared in this experience.

Sincerely yours,

Forrest K. Van Horn.

