

P U B L I C H E A R I N G
before
SENATE TRANSPORTATION AND COMMUNICATIONS COMMITTEE
on
TRANSPORTATION FINANCING & POLICY PROGRAMS

Held:
May 28, 1981
County Administration Building
Hackensack, New Jersey

MEMBERS OF COMMITTEE PRESENT:

Senator Francis X. Herbert (Chairman)
Senator Frank X. Graves, Jr.
Senator S. Thomas Gagliano II

ALSO:

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

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SENATOR FRANCIS X. HERBERT (Chairman): I am waiting for members of my Committee to arrive. This hearing was called for 1:00 and we have a lot of busy people here so I think we better begin.

This is a public hearing on Transportation, Financing, and Policy Alternatives. We are here today to discuss reforms in New Jersey's transportation programs and financing.

The last few meetings we have had of this Committee, and of course during New Jersey Transit's own hearings, we all heard the complaints about the system, and there is no one in the State from the Commissioner through the officials of New Jersey Transit, the Legislature, the Governor -- anyone -- who likes the proposed increase of fares.

Now, we have heard all the gripes, so if you are coming just to gripe, we hope you keep it short. We now want to hear proposed solutions to the transportation crisis.

Several areas this hearing might explore are, first of all, the establishment of a stable funding source for New Jersey Transit; second, revising our Bus Subsidy Program so we subsidize routes and not companies; and, third, examining rail-passenger labor contracts in order to reduce costs and promote efficiency.

We should keep in mind during this discussion that concerns over financing fares and operations are not unique to New Jersey. States all across the nation are grappling with these same issues.

I was just in conversation with Mr. Premo, and he tells me on June 1st the whole transportation system of the City of Chicago may very well shut down. Boston is in a crisis. New York City has great problems financing the NTA. So, the problems here are not unique to New Jersey. In fact, in many ways we are in a fortunate situation.

I want all of us to keep in mind where we would be if we didn't have a New Jersey Transit Corporation. I sponsored the bill creating that Corporation and I am not at any time going to apologize for my sponsorship of that bill and that corporation. I can just imagine where we would be today had we not had New Jersey Transit.

We have a short list of speakers and I would certainly appreciate it if the speakers would keep their remarks fairly short.

Joining me today is Senator Tom Gagliano of Monmouth County.

SENATOR GAGLIANO: I am sorry I'm late, Mr. Chairman.

SENATOR HERBERT: You are entitled. I think I was late to your meeting down in Eatontown.

SENATOR GAGLIANO: Yes. It gets longer and longer from Monmouth County to Hackensack.

SENATOR HERBERT: The first speaker today is the Honorable Kenneth Gibson, Mayor of Newark. Mr. Gibson.

MAYOR KENNETH GIBSON: Thank you, Mr. Chairman. First, I want to express my appreciation for being invited to join with you and to offer testimony. I want to say that those of us who are deeply concerned about mass transit are all and should all be willing to work on dealing with solutions rather than just talking about the problem. I want to offer whatever support that I can personally, and frankly in a lobbying effort to make sure that our goals and objectives are met. I think that is what we are going to need, not only on a statewide basis but on a national basis.

As you know, the New Jersey Transit Corporation, on May 23, 1981, approved fare increases ranging from 15% to 30% for riders on State subsidized trains and buses. Those increases are effective this summer and are only the first of a two-part series which includes another increase by the end of the year, thus bringing the fare increase - the total fare increase - to 50%. In addition service cut-backs were also approved.

It seems that on one hand the people of New Jersey are told to save energy by using mass transit, yet, on the other hand, fares increase and all mass transit service is combining to tell the public not to use the mass transit system.

Now, suffice it to say that increased fares make the use of mass transit less attractive economically. Conversely, the use of private automobiles becomes more attractive if the fares go up. Higher fares and poor service lead to a loss in ridership. The fare increases could cost a large decrease in ridership so as to result in an overall decrease in gross revenues.

The question then is what do we do? Do we have another fare increase? In Newark there are not enough parking facilities to accommodate a large number of people switching from mass transit to private automobiles. And, frankly, none of us want that. The obvious result could be people who avoid doing business in our city - in Newark - or keeping their businesses in Newark because there would not be adequate parking provisions for their employees. In addition, more cars mean more congestion and more pollution.

As the mass transit hub of New Jersey, Newark's economic and social health are highly dependent on an efficient, low cost, mass transit. Many of our elderly and urban poor have no other way to get around and cannot afford higher fares, and neither can the thousands of students who come to Newark every day for an education. Clearly, the State must embark on a three-point program whose message is - and I quote - "We support and encourage mass transit." We think that is what the effort should encourage, and that is what the message to our people should be.

The first point of that program should be lobbying for greater operating subsidies as well as capital improvement funds from the Federal government. This, in my opinion, is a must.

Second, we ought to carefully evaluate the policies and operations of the mass transit providers and identify areas in which economies can be made, and make those economies a condition of State support.

If that requires some hard decisions, let's start making those hard decisions.

Third, we must begin an aggressive program to make mass transit more attractive and increase ridership. We must make New Jersey the state where we can go further by bus or train.

I want to thank you for the opportunity to testify and to say that, frankly, the staff and Mr. Premo, in my opinion, have been working very, very hard to improve the conditions and the situation relative to mass transit in New Jersey.

I want to repeat what I said when I opened, that I personally offer any support we can give, both to him and to you and staff, to see what we can do to improve the condition of mass transit in New Jersey. Thank you very much.

SENATOR HERBERT: Mayor, we have your original statement, which

was sent to my office. You say it should be clear that state assistance must be sought, even in this election year, if Public Transit of New Jersey is to survive the Federal austerity programs. There have been two alternatives offered, one was by the Commissioner of Transportation, and that is that we remove the sales tax exemption from the sale of gasoline, thus imposing a 5% sales tax on the consumption of gasoline. What is your opinion of this?

MAYOR GIBSON: Remove it totally?

SENATOR HERBERT: No, not remove it, remove the exemption. In other words, add 5% to every gallon of gasoline.

MAYOR GIBSON: I think that is a step in the right direction, frankly. I am not sure whether or not a sales tax-- I have, historically, taken the position that a sales tax is not a way that we should be trying to fund State government. I would say that the intent here - and I can't speak for the Commissioner - was obviously to push people, if you will, or to encourage people to use mass transit rather than to use their private automobile. As a goal and objective, I would encourage that.

SENATOR HERBERT: The Commissioner's point of view is that tax should be dedicated to the Department of Transportation. In other words, we know how much comes in and he would get that much, rather than, let's say, an increase in the State Income Tax, which is already dedicated and placing amounts in general funds. That is what is happening to transportation funds. People think when they pay gasoline tax, motor vehicle tax, and so forth -- registration for their cars -- all that money goes to the repair of our roads and to mass transit. It does not; it goes to the general fund. The Transit Department receives 5% of the State total budget instead of say 15% or 20%, where they were years ago. So, his point of view is that we should charge sales tax and dedicate that tax to the Department of Transportation.

The other solution, which is strictly stop-gap and not supported by the Commissioner, is a rise in our present gasoline tax. Our present gasoline tax is 8¢ on a gallon. Pennsylvania and Connecticut charge 11¢ a gallon. Rhode Island charges 10¢ a gallon. Delaware charges 9¢. An increase of 2¢ on our gasoline tax would give the State Treasury and, hopefully, transportation approximately \$72 million, depending upon use of course. What is your opinion of that?

MAYOR GIBSON: Assuming, of course, that that tax is dedicated to mass transportation.

SENATOR HERBERT: That's right.

MAYOR GIBSON: I would say that it is a kind of Catch 22: If you continue to expect to fund mass transit from gasoline taxes, then I think that is a mistake. The theory, of course, is that the amount of gasoline being sold remains the same.

SENATOR HERBERT: That's correct.

MAYOR GIBSON: Of course, we are hoping to reduce and to conserve gasoline and other energy sources. If that is the case, then that projection could be decreased.

SENATOR HERBERT: That's right.

MAYOR GIBSON: I would say that if we are intending, as a goal and objective, to improve our mass transit system by such a gasoline tax, I would support that as long as that is dedicated to the improvement of mass transit.

Frankly, on the basis of principle I am opposed to the thought that we can fund the entire State budget through the sales tax. If we are going to dedicate it for transportation use, especially for mass transit improvement, then I would support that.

SENATOR HERBERT: Senator Gagliano, do you have any questions?

SENATOR GAGLIANO: I just have a couple of questions. Mayor, we are looking for solutions today, but we also have some other problems that we are looking for solutions to also, not just the fare increase. Have you had an opportunity to check the Grumman Flexible Buses that were purchased by New York?

MAYOR GIBSON: No, sir. The only thing I know about those is what all of us in the public sector have read in the newspapers and seen on television.

SENATOR GAGLIANO: Do you have any opinion on whether or not we should go ahead with that purchase? How do you feel about it -- if you would care to make a public statement?

My basic concern is, for example, the City of Newark would probably get a fairly substantial allotment of the transit buses. How do you feel about that?

MAYOR GIBSON: Without having had a chance to look at the specifications and the experience ratio-- I am an engineer, as you know. I worked for the New Jersey Department of Transportation when it was the New Jersey Highway Department. Therefore, I have had some experience with road construction. I would caution that if we are going to go through with the purchase, that we have some technicians, some experienced people who work for us in the State of New Jersey, take a look and give us their professional judgment on such a purchase.

Now, I have engineers who work for me. As an engineer I wouldn't even trust myself to make such a judgment by just reading the experience. I would say if we had - and we do have some professional people in New Jersey with the competency - professional people give us their expert opinion in this area, I would need such an analysis before I would support such an approach, based on the experience that we have all heard about in New York.

SENATOR GAGLIANO: Have you had an opportunity to see any of the rehabilitated buses? Have any of them been operating in the City?

MAYOR GIBSON: Frankly, if I saw them I wouldn't know if they were rehabilitated or not. I have seen some better looking rolling stock. They may be some of the rehabilitated buses. I am not sure.

SENATOR GAGLIANO: The last question, going to fares, there has been a certain amount of discussion about going to the Joint Appropriations Committee of the Legislature to try to get over this hump by asking for anywhere from \$25 to \$30 million out of the State budget. Have you had a chance to think about that, and how do you feel about it? Do you feel we should support that position?

MAYOR GIBSON: Well, I am at a disadvantage here, Senator. I think that you recognize I am a candidate?

SENATOR GAGLIANO: Yes.

MAYOR GIBSON: And, without looking at the total budget picture and preparing other priorities - in view of the fact that we do have other priorities in the State; I don't think they are any more important than this, but we do have other priorities - I think that it would be a mistake on my

part to say that \$25 or \$30 million could be something that we jointly all lobby for without taking a look at some of the other serious problems in the State.

SENATOR GAGLIANO: Everybody has a claim.

MAYOR GIBSON: Everybody has a claim on a piece, and without having it before me I am hesitant to make that kind of call.

SENATOR GAGLIANO: Thank you very much, Mayor.

SENATOR HERBERT: Thank you for coming, Mayor Gibson.

MAYOR GIBSON: Thank you for having me, and I want to express my appreciation to Mr. Premo.

SENATOR HERBERT: Okay. Jerome Premo, Executive Director of New Jersey Transit.

J E R O M E P R E M O: Good afternoon. There is a certain pleasure in standing here and speaking to you up there, Senators. The last time I was in this room was a little more than a month ago. It was certainly fuller than this and it was much darker outside than this. We were engaged in this chamber as we were in 15 other locations throughout the State in April on a concerted, unprecedented hearing process designed to seek from the public their views on what was clearly a staff proposal to meet an \$80 million short-fall in our budget for the upcoming fiscal year.

As Mayor Gibson indicated, and as we have communicated in letters to all of our State Legislators, we took actions at our Board meeting earlier this month to implement a phased fare increase and set up service economies at NJ Transit. We clearly decided to take a risk, one that the public of this State urged us to take. They indicated at the public hearings that a 50% increase would be too much in one bite. And, interestingly, Senators, they made it very clear that they were unsatisfied with the advocacy job that NJ Transit had done in making the case for better public transit here in New Jersey.

What I would like to do, if I may, is fill you in on a few of the things that have been occurring recently that affect New Jersey Transit, offer a couple of personal observations on the importance of public transportation, and then put in some broader perspective the conditions and situation that we face here in New Jersey as related to some other crises around the country. It will be just a quick update because when we meet monthly or every six weeks or so, you give me an occasion to share some of what we are up to with you, and I would like to do that very quickly.

First, on the matter of Federal financing for transit, we found ourselves in nearly a shock condition about three weeks ago. This was the very week prior to the action on our fare increase. The House of Representatives had passed the so-called Graham-Latter amendment to the Federal budget which would have come the first of this October. It totally eliminated all Federal operating assistance for public transit in this state and all the states in the Union. The impact of this would have been to cause an instant reduction from the \$65 million available to us in the current fiscal year to zero come October 1st. The House-Senate Committees in their budget compromise agreed to the original Reagan administration proposal, that is a phaseout over the next three years. In fact, that phaseout itself is subject to further Congressional action. I find it somewhat ironic to relate where we were last December

when we had the opportunity and the prospect of a doubling in Federal aid in support of transit operations here in the State on the one hand, and now to speak with some relief about the fact that all the money won't be eliminated from October 1st. But it speaks to the volatile nature of what is in front of us.

Second, Mr. Chairman, as you know, Arthur Kiel, the Administrator of the Urban Mass Transportation Administration, was with us on the 19th of this month and while indicating continued support for capital investments, rebuilding of our rail systems and bus systems, he made it very clear that the Reagan administration was not responding positively to the pleas of New Jersey Transit, of the Congressional Delegation, or at least portions of it here in the State, or to other transit and city interests around the country regarding their proposal to eliminate operating subsidies. The Administration's view is there is not a proper federal role in supporting operating subsidies and that states or localities, if they want good transit, need to enact long-term financing, stable financing set aside for transit. It is gracious of the Federal government to pull out and tell others what should be done. To the extent that is gracious, that is what they are doing.

Third, we are dealing with staff where needed, not just to talk about but to move out on the three point program adopted by our Board of Directors at its meeting on the 12th of May. That program was designed to increase revenues, the control costs, and to improve service. And, we have transmitted to each one of you the details of that program. We are now preparing a follow-up special report to be distributed by the end of June to all bus and rail riders on all of our buses and trains in the State, giving the details of the fare increase decision, and giving the details of this committed program of increasing revenues, improving service, and controlling costs.

We want to continue the Outreach program that we started. We need to sustain it because in fact the public of this State are the shareholders of our corporation.

Those are some updates. I would add one more that ties directly, Senator Herbert and Senator Gagliano, to the meeting we had with Secretary of Transportation, Drew Lewis, in Washington early in March. Following that meeting, I wrote to the Secretary and asked for an exemption from the Section 504 Regulations that the Department of Transportation had promulgated, regarding the need on the 525 buses we are now rehabilitating to put wheelchair lifts on each of those buses. In a letter, dated May 22nd, to me, the Assistant Secretary of the Department approved our request for such an exemption.

In addition, just two days ago the District Court of Appeals--

SENATOR HERBERT: Excuse me, Jerry, there is a question from Senator Gagliano.

SENATOR GAGLIANO: What was the date of that letter?

MR. PREMO: May 22nd.

SENATOR GAGLIANO: May 22nd you got the approval?

MR. PREMO: I received it yesterday afternoon and copies are on their way, or will be tomorrow, to you, gentlemen, as well as to the members of the Assembly Committee.

In addition, the District Court of Appeals overturned a lower court opinion relating to the 504 Regulations themselves, and essentially threw

the ball back to the Secretary of Transportation to make some decisions about what the rules regarding accessibility to elderly and handicapped people should be. So, we are going to be engaged with the Department of Transportation in some pretty significant discussions. That is on the Washington scene, but importantly at this level we are going to be continuing to talk to our advisory committees consisting of handicapped and elderly people and others with reference to exactly what steps we take from here to honor the commitments that we have all made to provide reasonable accessibility for our older citizens and for our handicapped people.

That is a quick update on some important actions that are occurring. I would like to a degree, if I may, set the stage for the importance of the call for the hearing, Mr. Chairman, namely ideas about long-term financing. Commissioner Gambaccini, who is also Chairman of the N.J. Transit Board of Directors, proposed previously the gas tax bill that you made reference to. It had two provisions, not only ending the current exemption of gas from the sales tax but also indexing, so that as prices went up over time we would be able to garner some of that increase for transportation purposes.

We are now engaged with the Department of Transportation in a thoughtful review of a host of financing options related to public transit and our highway system here in the State. As the Commissioner has frequently said, he is not in any way wedded exclusively to that approach. If the hearing today can generate some ideas and if others have options and alternatives to that approach, they are needed and we look forward to hearing them. We look forward to hearing them because the nature and quality of our transportation system here in the State is important. We heard it at the hearings repeatedly, and I would just like to highlight some of the points -- not that we at N.J. Transit necessarily have made about the transit portion of our transportation issue, but what some of the people at the hearings have tried to drive home to us. They said that with respect to public transit, a modern, well-maintained, and affordable transit network was crucial to the lifestyle, the health, and the well-being of the State.

Now, a modern and well-maintained system is only possible if we invest, on a continuing basis, in its maintenance and its capital improvements. Doing this in the volatile budget environment that we face has proven in past years to be difficult. We are in a pretty good condition right now because of TRANSPAC funds and because of '79 bond issue funds to do a quality job in moving out with long-delayed capital improvements. We feel comfortable with the professional job we are doing in delivering on those activities.

On the other hand, I think the key point of the hearing is related to the affordability of our system, the ability of the people to get the jobs -- especially those with lower incomes. In fact, the impact on the budget of the middle-class person -- Senator Gagliano, that particularly came out at the two hearings in your district. The impact -- if in fact we face an elimination of Federal subsidies and no increase in State aid but are confronted with the ravages of inflation and, for example, a 10% per year increase in total cost -- to the user bearing the full cost doesn't seem reasonable, at least to us, and did not seem reasonable to those riders and other citizens who appeared.

The impact on our road system, on our land barriers -- some of the movability of many of our communities is at stake. The kind of orderly

business development that has characterized in the past New Jersey's economic climate is under question now. All we hear in New Jersey - as you well know from what is going on across the river - is an issue in New York as well.

The Board of Directors at its meeting on the 12th passed a resolution urging the Legislature to enact a program of stable long-term financing at a funding level higher than at current levels, and hopefully one that is sensitive to the impacts of inflation. We believe that an assured source of such long-term financing, a tied to, debated, and subsequently adopted fare policy -- that is, how much should the user pay? Should it be 50%, 60%, 2/3rds, or 75% -- presumes a fair policy for providing and delivering to the public what they want, need, and we believe deserve, that is, a modern, well-maintained, and affordable transit system that we at New Jersey Transit are confident we can deliver.

In other places around the country the situation is extraordinary volatile. I have from yesterday's front page of the Chicago Sun Times the headline, "Mayor Byrne May Well Be Taxed to Keep the CTA Running." That system stopped all subsidy payments last Friday. The Joliet bus system is shut down. The four of the six commuter railroads may end service on midnight Sunday night. The CTA cannot meet its bills. It is 60 days behind in paying its bills.

This is from last Friday's Daily News. I know you saw this one: "Chairman Ravich Tells Panel to Ride the Subways." Well, we heard from the riders in this State and many of them said, "You better do a better job." The three point program that we have adopted continues the efforts, and intensifies our efforts to deliver quality service to our riders.

Part of my appearance here is to let you know the action of our Board Directors in support of long-term financing for public transit. We hope that through your leadership efforts, and through our deliberations with others here in the State we will be successful in avoiding implementing the second phase of the fare increase come next January 1st. We have taken a rest. We have left \$32 million on the table. We are going to continue to do all we can to control cost. We are going to continue to work hard in Washington. And, we are hopeful that there is a way that somehow the Legislature can be of assistance to us.

That is a quick update, Mr. Chairman and Senator Gagliano. I would be happy to answer any questions you might have and I look forward to the comments of others who will follow.

SENATOR HERBERT: Jerry, we don't take pleasure from the fact that other systems are probably in worse shape than we are. How far away are we? Suppose we do give you your tax increases? By the way, table funding doesn't always mean tax increases, does it? Not necessarily.

MR. PREMO: I think I said higher than at current levels.

SENATOR HERBERT: Right. Suppose you do get it - by you I mean the DOT and the NJT - how far are we from the kind of program you want to see for all our communities -- on-time service, clean buses and railway cars, courteous service from our employees, all the things that a good transit operation entails? How far away are we?

MR. PREMO: My inclination is to give you a quick number. Let me condition it first, if I may.

SENATOR HERBERT: You will be held down to it in a couple of years. Be

careful.

MR. PREMO: When the Port Authority acquired the line that used to run tubes and converted it to PATH, it took them seven years to put that system into the shape that it got into. It is not an easy job to take a run-down bus company, as we acquired at TNJ, and to put it into the kind of shape it needs to be in.

In the bus area we have been plagued by the Grumman contract. I reported to you on it. We have been plagued because it has affected procurement of other buses, commuter buses in particular. I believe that within three years we will have a modern fleet of buses running throughout this State. We will have completed by then the nations largest bus rehabilitation program, and we will have put in place, with the help of assured long-term financing, the kind of capital program for our bus fleet that we desperately need. We have not bought buses in this State for five years. We seem to spend four years deciding to buy and then every five years or so, we buy lots of buses. That shouldn't be the case. None of us wants it to be the case. It is not a wise business approach. We need a thoughtful, annual program of bus acquisition. That was what we included in our seven years presentation before the Capital Budgeting and Planning Committee - three years in the bus area and in the rail area two years, with one caveat: the equipment should be in good shape in two years. As you know, we have bought new locomotives and new passenger cars for the Raritan Valley line and the North Jersey Coast Line. We will have by the end of this year completed electrification of the Matawan, and based on funding availability and the like it will be underway or not underway to Long Branch. It depends largely on money. We will have completed re-electrification of the Erie-Lackawanna and have the cars operating there. We will have been in the process of rehabilitating the Arrow 1's and 2's in use on other portions of the system. So, we are really talking about two to three years to deliver what I feel comfortable in indicating can be a first class, quality, capital facility.

The one caveat in the rail area is that we need a new rail yard. We are in the final stages of selection of a site. We are not going to build a new rail maintenance facility in a couple of years; it is going to take a bit longer.

Okay, what about operations? The public is concerned not only with the quality of the box that happens to be carrying them and its cleanliness and the courtesy of those who deal with the public - drivers and conductors - they are concerned with the fares. We may, in the absence of securing some successes in our legislative efforts with the reworking of Conrail, be confronted with some high-cost agreements that Conrail may have entered into that will affect the affordability of our transit system -- that is, we will be locked into some agreements that will cause us to have to pay more than we think we might have to pay. We are working on that hard and we are hopeful of some success.

With the capital improvements we have underway, we will have a good physical plant. I am not sure anyone will ride it though because the fares will be so high. What we talked about at the public hearings, what we laid out before you, and with the material we distributed to you prior to the public hearings, just as we distributed it to four or five hundred thousand transit

users in the State, was a situation on page six of that handout where there have been 35% to 45% increases in fares every year out over time in the absence of increased money at the State level, or a continuation of Federal aid. That presumes a 10% inflation rate. And, the public said, "I can't afford a 35% to 45% increase very year. If there is not additional assistance available to us, presuming we have made every reasonable effort to control cost and to deliver quality, courteous, clean service, then we are going to lose lots of riders. We are going to be here with a vicious cycle and it is going to eat away at us.

I appreciate your patience with that kind of an answer. I think in the capital area we can deliver in a two to three year time period, depending on the extent of the systems available to us. We can obviate the need for these crushing fare increases. I have said publicly before and I will reiterate it now, of the \$32 million that is a January 1st, unfunded program, now, in the absence of fare increases, if we get assistance to get us over that hurdle, it is unlikely we will increase fares in January. We will go with this average 15% to 30% fare increase and that will be it for this year. But, it won't go away in our budget next year, or the year after that, or the year after that, especially if Federal aid is eliminated.

SENATOR HERBERT: Okay. It is the usual grim picture. Jerry, When I introduced the Jersey Transit Bill, in my statement I said that I believed that mass transportation was as important to the common weal as education, public safety, water and sewers, roads, and so on. How do you square my point of view with the point of view of some people, especially the Federal government's recent report, that asking a farmer in Sioux Falls to pay subsidies so that a Los Angeles commuter can get to work on time is an imposition of an unfair tax? Would you comment on that?

MR. PREMO: Well, we are a nation. We are not individual municipalities, and we have some mutual dependents. The quality of life here in the northeast, and in fact our energy consumption, for example, is as it is because of public transportation. The per capita energy use is 60% here of what it is in Iowa because of our transit systems. The elimination of transit operating assistance from the Federal level is going to intensify our problems here of dispersal of population, dispersal of land use, and it is going to create greater dependency in this dispersed land pattern on the private automobile and on energy consumption, not only for the car but for the house or for the factory.

Now, within this State this same issue was a genuine issue. What is the interest of a farmer in Ocean County in helping a commuter in Ocean or Monmouth get to work? Well, let's talk about the trucks that carry the produce from the farm to the market, wherever it may be, or to the place where it gets shipped from. We face problems, as you well know, already with our road system. A shift from transit to the road system is further going to intensify problems. It is going to make our commercial centers less attractive. It is going to make the economics of our State more questionable. Lord knows we already have plenty of problems. This will intensify problems, make new plant locations here - whether it be from the commercial point of view or the worker point of view, less likely to occur. Public transit is big business and it also good for business. The impact on a Paterson of a shutting down of a transit system is akin to the shutting down, for example, of Joliet's

system thirty miles on the outskirts of Chicago which would be significant in terms of access to jobs by people and also the workability in a community like Paterson that has been going through a renewal.

The land values, we talked at the hearings about the impact, the locational decisions of people. Many said if you have to -- have to, the suggestion is we can find a way to avoid increasing fares through some magical act. I haven't found it yet. But, if we impose this added cost for the commutation, people are going to make some decisions. They are not going to want to live there anymore; they are going to go to some other place where they don't have to go through the hassle of commuting. That's part of the Sun Belt mentality. I know it well, since I worked for three years in Southern California. We run the risk, not only here in New Jersey but in terms of many of our people who earn their living in New York or in Philadelphia, of creating a situation where it is too much hassle. It is too much expense. They are going to try life some other place.

I think the public transit issue is integral with the health of the economy of this State in the decade of the '80's. We will deliver a quality capital plan. We will deliver it with an aggressive management. We will deliver it with a thoughtful review of our subsidy program, including the role of the privates, as currently defined in the program, in an effort to get the best bang for the buck. The basic issue before us in the longer term is the fare box percentage the people have to pay and whether or not we find public money as contrasted with exclusively the user in meeting our operating costs.

SENATOR HERBERT: Jerry, I sponsored S-3058, which gave ten million dollars for the rehabilitation of buses. That seems to be going well. The suggestion has been made-- By the way, that was co-sponsored by the whole committee. The suggestion has been made by Senator Gagliano that we forget about the flexible contract and perhaps appropriate more money for that very successful program. We would like you to comment on this.

SENATOR GAGLIANO: Or, carrying it one step further, Mr. Chairman, asking the Port Authority to come up with some of the money that they promised us in 1978 to fund the bus rehabilitation program. Part of my reasoning there, Jerry, as I mentioned to you, is that you want to make mass transit more attractive and we are not doing a damn thing to make it more attractive with that Port Authority money. That money in the hands of the Port Authority is -- I don't know how to term it exactly - a jerk in our train, so to speak. We definitely were promised one hundred and twenty million and it was for bus and ancillary facilities. So, rehabilitation of buses, I think, would be within the ambit of that law, and I personally feel we should seek part of that one hundred and twenty million dollars right now. I would like to tie that in because maybe we shouldn't put more of our own state money in; we should take some of that promised money from the Port Authority and rehabilitate maybe another five hundred buses.

MR. PREMO: We discussed this, I think last Tuesday, Senator, and I have been in touch with the Port Authority. We will be meeting shortly with Peter Goldmark and his associates. I was most encouraged by the positive response that Peter offered. They want to help us. I can say it and I know you can wonder but--

SENATOR HERBERT: Our point of view is that is our money in the

first place. You know, the toll has increased from \$1.50 to \$2.00 -- or, rather, from \$1.00 to \$1.50, and that 50¢ rise is supposed to be used for transportation in New York and New Jersey.

SENATOR GAGLIANO: Upon which they are making about \$20 million interest right now.

MR. PREMO: A quick profile on the bus rehabilitation program. You sponsored, jointly, a bill to allow us to use up to \$10 million of our '79 bond issue money for this bus rehab program. The Board of Directors has adopted a three year, five hundred twenty-five bus program. We are going to do about 200 of those buses internally at the Ferry Street garage. We are going to do 325 through outside contract. We are drawing up the specs now for that outside contract. We didn't want to rush to the outside spec until we had rehabilitated a dozen or so buses, so that the pros could write the specs against our experience, and that is what we are doing now.

We held public hearings two weeks ago and went through all the red tape. We have applied formally to UMPATA for an 80% grant against the cost of this 525 bus program. Specifically, we have asked for an \$18½ million grant to be matched with \$4½ million of the \$10 million you authorized. Now, our point was that this program was so important that if the Feds didn't come through, we needed to commit money. What I am trying to do now is work with the Port Authority to substitute for '79 bond issue money Port Authority funds for that program.

Meanwhile, Senator Gagliano has posed the question: "What about rehabilitating additional buses? What we have underway now is a look at how reasonable it is to rehab more than the 525 we have identified. Our problem is that we get to buses that are so old that the economic benefit of investing may be questionable. We have people looking at that issue now, Senator, to respond to your very appropriate question.

In fact, what we may have if we are successful in getting an 80% Federal grant plus Port Authority money is no need to draw on the '79 bond issue money. It is consistent with good logic, which is to maximize outside sources. But, also, we want to use that bond money quickly and aggressively. So, we are working at it and I can, within two weeks, be back to you with specifics on where we are across the board.

I would note that UMPATA Administrator Teele, who spend two and one-half hours in the Ferry Street garage, indicated at the transaction conference and has indicated to his staff in Washington, that the bus rehabilitation program we have underway is the most significant and impressive transportation project he has come upon. He worked in the Army as an officer for eight years and spent four of those years in maintenance facilities, and I think we appreciate his comments. They reflect the quality of work that is being done by the people in that facility.

SENATOR HERBERT: Are there any other questions, Senator?

SENATOR GAGLIANO: Yes, I have a couple.

SENATOR HERBERT: Senator Gagliano.

SENATOR GAGLIANO: Jerry, I think you are doing a good job and I congratulate you for it. As you know, we keep pushing. I know Barnett Rukin will be testifying in a little while. At least he is on the list. I am continually amazed to learn that Mr. Rukin's company is able to purchase new buses and presumably operate at a profit and pay those buses off basically out of the

fare box. It is my understanding that he has practically no state owned buses. I realize that there are many of our lines that we run at a loss. I guess what I am about to question you about is how can we come closer to an operation similar to the Rukin operation so that we can make real economies, cut our expenses, and be able to face the future without all of the trepidation that I seem to have in my mind?

MR. PREMO: I have underway an analysis of all bus lines in this state which return less than one-third of their total operating costs - less than 40% or 50% of their operating costs. I have no doubt that I could cut out 75% of the bus service in this state within a month and we would run a bus system that reflects the best and greatest virtuous private enterprise prospectus. I don't think anybody wants us to do that because of the impacts on the riding public in this state a lot of that would carry with it.

SENATOR GAGLIANO: How long will your study take, Jerry?

MR. PREMO: Well, we were aiming for the end of July because of other priorities. That simply is not as important as delivering on some of the other things that we have committed to.

SENATOR GAGLIANO: I'm not asking you to rush it. What I wanted to know is how long it is going to take because I think it is important that we have an idea how many lines are, for example, 75% subsidized and 25% out of the fare box, because I think the Legislature - and I don't think it is really going to be anybody else - is going to have to make decisions on those areas probably within a year. It would be based upon your reports, but I think we are going to have to take some of the responsibility if you do start to cut back on some of the lines. You know and I know that we have lines that are carrying practically no people, or at least certainly not enough to pay.

MR. PREMO: This is input. This information is input to work we have underway on essentially a needs assessment. We feel it is incumbent on us to re-ask the basic questions of service levels, of fare box policy, levels of service from an operating prospective, and from a capital perspective of what we need - what we believe we need - on our rail system and our bus system, including upgraded facilities to make the system what it ought to be. Our hope is to, by mid-August, have a thoughtful needs assessment, and this operating information would be input to it.

SENATOR GAGLIANO: Because except for the problems we are experiencing with respect to the Grumman purchase and all that entails, it seems to me we are making some progress. Certainly we are in the rails, as you said, and the railroads could basically run without say further electrification than we already have planned and have the money to pay for.

I see the Grumman purchase as a horrendous problem and I tried to get something out of Mayor Gibson on it. Of course, anybody knows that without an engineering study, they can't make an accurate assessment. But, again, how long will it be before we know whether or not we can go forward with that purchase, or we should take the risk and cancel it?

MR. PREMO: Certainly, an absolute outside within the month -- the end of June. Nothing has been more -- well, yes, the fare process was more excruciating. Other than that, there has been nothing that has been more time consuming or has caused us to devote more of our energies to examining than this Grumman contract, because of the implications not just to us - as

you gentlemen have made extremely clear to me - but to the Grumman Corporation and the repercussions from their perspective. By the end of June, and hopefully much sooner, we will have disposed, one way or another - we hope - of the essential issues. Because of the litigation implications, I would prefer not to have to go into much more detail.

SENATOR GAGLIANO: Okay. We will know in about a month?

MR. PREMO: I hope much sooner than that.

SENATOR GAGLIANO: Okay. The last thing I would like to discuss, and I know Mr. Harold Kendler will be talking to us - at least I think he will- What are we doing with respect to the Conrail contract? Do we have any discussions going on with respect to trying to eliminate or limit some of our cost with Conrail? And, the second part of that is, are we talking at all now about replacing Conrail as the operating entity for our rail lines?

MR. PREMO: There are two questions -- one cost control and the second is the future of rail operations institutionally.

In the first matter, the Board of Directors on May 12th approved some \$10.7 million in service economies. That is a fancy way of saying some cut-backs. I can give you some examples. We will close approximately 30 railroad stations - some on the weekend; some all the time - where there was a very, very low return - low sales ratio - at those stations. We have, on just about all our rail lines, taken one peak hour train out of service and added the cars from that train to other trains. We are in the process of readjusting schedules and will, in essence, maintain during rush hours the same people-carrying capacity but with one less train. Through that activity we will save a couple of million dollars.

We have made another whole set of reductions in Conrail work forces, and finally we have for the upcoming year the benefit of an agreement by the rail unions of a wage freeze for the upcoming year. In combination, the wage freeze and the service economies will cover nearly twenty million dollars of the eighty million dollar shortfall we find ourselves confronted with -- or did prior to the hearings.

So, that is a major, unprecedented set of actions, including from the labor union's point of view, obviously -- unprecedented in the wage freeze.

We are continuing to work economies in the rail system and will examine, for example, whether or not we should be continuing to run trains on weekends and evenings on some marginally patronized lines.

New York has a proposal to reduce 20% of the bus service and about 25% of all train service, and we were, relatively speaking, timid and modest in our proposals compared to New York.

We will continue to look at opportunities to save money in the rail operating area.

In terms of the future of Conrail, Congressman Florio has sponsored legislation which would essentially create a commuter subsidiary of Amtrack and provide us, the commuter agencies, for the first time ever, the opportunity to sit directly on the board and decide operating issue and decide policy issues of operation. There are some provisions in that legislation that we have argued for, including binding arbitration in the resolution of labor disputes, and the opportunity to work out some work rule changes that are under debate. I don't know how they are going to end up, but we certainly made our case clear, that we want the opportunity to sit at the table, as

contrasted to paying the bills only and not having a voice in any decisions that are made. I am not sure what is going to happen in Washington.

SENATOR GAGLIANO: Thank you. Thank you very much, Mr. Chairman.

SENATOR HERBERT: Senator Graves, do you have any questions?

SENATOR GRAVES: Yes.

SENATOR HERBERT: Senator Graves.

SENATOR GRAVES: I imagine most of the so-called starch has been taken out of this meeting by some moves that your Transit Commission made since our urging of this meeting, when the fares were going to balloon all at one time. You are covering bases pretty good. You had a plug for Kramer about downtown Paterson. You have Florio covered. You are worried about Bob Roe, and I saw Bill Hamilton come in, so you better cover all those bases.

Jerry, you are the right man at the right place. You are. I am not trying to gild the lilly by saying that.

SENATOR HERBERT: By the way, that's Frank Graves saying that. He's tough.

SENATOR GRAVES: Jerry, we are worn out. You know, I sound like I am sitting through the third repeat performance of Rin-Tin-Tin here. I missed chapter two and three and I am seeing number one again. You haven't come to grips with this bus issue yet, and it is a vital issue. Now we are skirting the issue because we want to talk about the litigation problem. We have to know. Your biggest problem is, on Wednesday morning when you wake up and go to work, you are going to have three Governors. One knows he isn't going to be there in January and the other two are positive they are going to be there in January, and you are going to be dealing with all these problems and there are going to be a lot of people wanting a lot of answers. Some of these things have to get behind us, and you are going to have to make a decision on canceling that contract once and for all. If they still haven't been able to produce a structured bus that is going to physically be able to travel on the streets of this State, then it is about time we come to grips with it and come to the Legislature, or anybody else we have to go to with it, and say, "Let's cancel out the contract and go somewhere else." We are treating our people unfairly by not coming to grips with this situation because our buses are deteriorating.

How many of our buses have actually been rebuilt?

MR. PREMO: We don't have a--

SENATOR GRAVES: Twelve? Fourteen? Twenty?

MR. PREMO: On rehabilitation we are up at about fourteen, yes.

SENATOR GRAVES: Okay. And, this has been going on now for at least two months. We proudly hailed it when we moved into your new headquarters. There was one there rebuilt and we were all so delighted. It is the right thing, but the way that's going we will be lucky if we see 44 of them by December, by the time the winter months come.

It seems we have to come to grips with these problems. If this is not the company, if they are not going to be able to produce them, a letter should go out and then there should be a court appearance if necessary. It is unfair to us as legislators and unfair to our constituents to carry on this program, because I have heard you set more than one deadline, and I can't extract from you the reasons because you probably have some employee in there

who is telling you that legally we can't get out of it; or, we are in it, the heck with it. They haven't been able to produce. Those buses are supposed to be in place on November 15th, if my memory serves me right. And, if they are not going to be there by November 15th-- Have they posted a performance bond with us?

MR. PREMO: Yes.

SENATOR GRAVES: How much is the performance bond?

MR. PREMO: One hundred percent.

SENATOR GRAVES: It is a one hundred percent bond?

MR. PREMO: Thirty eight million.

SENATOR GRAVES: The premium has been paid on it and everything else?

MR. PREMO: Yes.

SENATOR GRAVES: Okay. Then they should want this question called just as badly as we do as legislators, and you should too as the Director of this particular division. That is number one. I think waiting until June 30th is unfair to everybody, and I wish you would set yourself a ten day deadline, and ten days from now come right out front, by the time we go back in session on June 8th, and say, "Legislators, Governor" - Byrne and the other two governors - "this is it; this is where we have to go," and then we have to make up our minds which way we want to go.

Number two, if we are going to rehabilitate these buses - and these two gentlemen were involved with this before I became a member of this committee - then we should accelerate that program, as Senator Gagliano and Senator Herbert have said, and get more buses out and get them fitted.

Number three, it seems we should get into the category of saying, "This bus doesn't pay with the number of people that are using it and it shouldn't be traveling on our roads anymore." And, I mean by that to take a flat-out figure. If it has 90% open seating during non-peak hours, or it has 70% open seating during peak hours, then it just shouldn't be and we are going to have to come to grips with this situation.

I think we are losing the expertise that every one of us laud about and are able to report about you. I don't say that because I have to gild your lilly. I am not in that position. You don't live in my district, to the best of my knowledge. My biggest problem is having two governors in the same town. That's what my biggest problem is, so I am not worrying about your problem at this point.

Come to grips with these things and end them once and for all. I can see us sitting here a month from today and hearing you saying practically the same thing, Jerry. In all fairness, you are not being fair to everything that you represent.

MR. PREMO: Grumman and rehabilitating buses and the third one is 70%, 80%, or 90% vacancies.

SENATOR GRAVES: Yes. Set a ratio. Say, "Legislators, if I find a bus that is 70% empty, I want your backing to take it off the route." Maybe you could say 50% empty.

MR. PREMO: I would like to touch on these three and then one last one.

SENATOR GRAVES: Mr. Chairman, with your permission. It is okay by me.

MR. PREMO: Mr. Chairman, if it would be all right to proceed?

SENATOR HERBERT: Proceed.

MR. PREMO: The first of these is: How many people are riding the buses, and whether we should cut the buses or not. That is inherent in this review I have underway of all these routes. It's a big system and it is a big State. We have it underway. Its purpose is as input to this needs report which we are targeting for the middle of August. So, we have it underway.

Second, bus rehabilitation -- We have hired 18 additional mechanics. Some of them do not like to work hard. Now, we hired three. They came to work this past Tuesday and three who had been hired previously quit. They don't like to work that hard. We were authorized 24 additional mechanics. We have hired 18. We have the start-up. We love to go through that facility. We think we have it in an orderly way. We had to go through, just like anything, the first shake-down period so we could write the specs and contract out. That's where we are on rehab.

On the Grumman issue, once we get through this whole thing, I will say all I feel like saying and I appreciate the agony that you have and that I have in seeking to bring some kind of more assured situation or resolution to this -- call it what you may.

SENATOR GRAVES: Jerry, if that contract was canceled, are there other buses available that we could buy?

MR. PREMO: No, it would take a year. We have to go through refit and it would take a year. Let's talk about canceling the contract for a minute. We have two choices. I reported them to you previously. One is cancel for convenience. We would be liable and have to pay off all the commitments Grumman had already entered into.

SENATOR GAGLIANO: Why?

MR. PREMO: Why? That is State law: Cancel for convenience as opposed to cause or default.

SENATOR GAGLIANO: Oh, no. We are talking canceling for cause.

MR. PREMO: Sure, now we have to cancel for cause.

SENATOR GAGLIANO: These buses are falling apart in New York City. That ought to be enough.

MR. PREMO: Senator, there are two options. I was summarizing two options: One is cancel for convenience, the other is cancel for cause. If you cancel for cause you have to document your cause. The fact that a bus had a cracked A frame in New York, which the Grumman Company asserts has been fixed, isn't enough. We have to go through an analysis of test data by our experts as a basis of reaching a conclusion as to whether the fix will or will not work. If we were to cancel, we would immediately be slapped with a \$38 million law suit, minimum, from Grumman. We would be prohibited, in my opinion, from acquiring any new buses from two to three years as a result of that law suit.

SENATOR GRAVES: Jerry, when will the first ones be delivered to us?

MR. PREMO: The contract calls for full delivery. It says full delivery by -- I think it is either the 15th of November or the 1st of December. And, what we have before we can cancel for cause is, we have to be able to document the basis upon which we believe they cannot meet delivery by that

date.

SENATOR GRAVES: Are they being manufactured now?

MR. PREMO: They are not manufacturing now. I spent all day yesterday in Chicago with all the other transit authorities in the country who either have on order Grumman buses or who have previously received Grumman buses. I spent all day and the day before that on this issue. We are near conclusion.

SENATOR GRAVES: Jerry, you have to understand that the three of us were appointed and we went to New York and we were supposed to have been fooled by the best there is in this business, the Port Authority. They set us in a room--

MR. PREMO: They didn't fool us, Frank.

SENATOR GRAVES: Well, they fooled me. They set us in a room and I became very belligerent with my two fellow Senators and said: "Don't you people believe anything?" They told us that they were going broke; that the World Trade Center was empty; that the forecast for the future was bankruptcy. I became antagonized with these two fellows and said: "What has to happen in this world to get you people to believe anything?" Then we found out that they had the best year. They don't need the money. They were able to find millions of dollars because the magic key and Brendan Byrne and Carey went over and did this, and the World Trade Center that we suggested they sell and that they said would be impossible to sell is all of a sudden up on the block to be for sale. So, what we have to tell you is that we have done business with the highest paid professional so-and-so's that government produces, and that's that, categorically. I guess if they want to sue me, and they don't know where the court house is, we will give them directions as to how to get there.

But, now we are coming to somebody we had faith in, all three of us -- the Chairman, the Republican member, and the Democratic member. All three of us had complete and absolute faith in you. I think we are saying to you that we are not satisfied with what you are exacting on behalf of us, and I don't think we are saying this because we are excited about elections, because our turn comes after Tuesday. But, by the same token, we are going to start having "touching the palm" with our constituency. There are going to be a lot of questions asked. There are a lot of buses in disrepair; there are a lot of buses that aren't attractive; and they are going to be paying more money in fares with the anticipation of another fare increase. And, you are not giving us the right answers, but you are capable of giving us the right answers.

MR. PREMO: Respectfully, Senator, you don't know what I am negotiating. I am not allowed to tell you what I am negotiating, for good reason.

SENATOR GRAVES: I have reason to believe that is not so. We are sworn, elected officials and I don't know what law says that anybody but the Attorney General can keep anything from us.

Okay, I yield to the Chair.

MR. PREMO: One last comment, if I may, and it gets to this question of what in the world is N.J. Transit doing; when are they going to deliver?

SENATOR GRAVES: That's right.

MR. PREMO: All right, let's talk, if I may, on this issue.

SENATOR GAGLIANO: You have gotten a lot of grey hair since you got here, Jerry.

MR. PREMO: I am getting a little this afternoon too.

SENATOR GRAVES: It's a good thing we are your friends, Jerry.

MR. PREMO: I agree. Let's reflect on running buses more logically. Everybody knows we had to make sense out of our confused transit system in New Jersey.

SENATOR GAGLIANO: Jerry, if I may, I want to interrupt for just a second. I think that Lou Gambicini and his staff had to know what was wrong with Transport of New Jersey when they told us so many reasons why we should acquire it, right?

MR. PREMO: Sure.

SENATOR GAGLIANO: We acquired it a year and one-half ago - or whatever it was - and we are still checking into the same problems. We are still making a study of how many bus runs do not pay their own way. This is what has us so upset, because we sit here and listen to this so many times. And then, Buzz just smiles and he goes and buys more buses and he makes more profit. It is just frustrating.

MR. PREMO: I have some frustration too, but I would like to respectfully disagree with what you said. First of all, we bought this bus company last October. I was at a recent public forum and it raised my level a little bit, and I will just share it with you. We were blasted for having dirty buses. It was a perfect example of government's failure: "You bought the bus company and you have filthy buses, and all those privates have clean buses." I probably shouldn't say this, but I am going to say it anyway. The privates were washing the buses when they shouldn't have been because we had a drought. I am not saying who did it because I don't know which particular location this individual was at, but he was an elected official and he was saying it was one more example of government's incompetence. Well, when we have a drought emergency and we are told not to wash buses, I am not going to wash them. We have a lot going on. The rehab is a case in point.

I want to get to the service question. What does the guy in the street feel? Why can't you make some sense out of these crazy quilt bus lines that run all over the place? The realigned bus service in South Jersey went into effect last year. We worked closely with community groups in Newark and Elizabeth. For the first time in 25 years we are going to revise bus service. On the 27th of May we are putting into place revised bus lines in Newark and Elizabeth which will affect 175,000 riders a day -- the first time in 25 years that has occurred.

I am meeting with the shop merchants in Elizabeth this Friday to go over with them some schemes that will get the private sector involved and the business community involved in making that work. We could have done that nine months ago, just like we could have done six months ago, or three months ago, or we could do it practically tomorrow, the realignment of bus service in Passaic and Middlesex, which was the other target areas for reexamining. But, what we did is something I believe in and I think you believe in, leaning on the side of the public's involvement in our decisions. We have had meetings. We have sent out, as we did within the last month - for example in Passaic where there are five operators affected as well as ourselves - our proposed changes. We are being open about it. We are soliciting advice. We are soliciting opinions. The dilemma we face is one that the private sector doesn't face as much as we do, although they probably have far too much government regulation

as well, and that is the dilemma of consultation on the one hand, versus decisive making of decisions on the other. We have leaned perhaps too much on the side of consultation so that we can move out confidently, knowing that we have not shut the public out of our exercise.

But, that is a set of actions, particularly in Newark and Elizabeth, where one-third of our daily bus riders will be impacted by these changes. We are doing it to save money. We are putting that money back into some supervision that has been desperately lacking.

I speak to you with one of those deja vue feelings: I talked to you about what we were going to be doing. We are going to do it. Six months away or nine months away we are now going to do it. So, I appreciate your listening to a little passion there, but things are being carried out with a limited number of people, as it well should be, with priorities as we have established, and as we are establishing next year. Bergen County and Hudson County interface. Atlantic City -- Mercer Metro; we have major problems with Mercer Metro that we have to deal with, and those are priorities in the upcoming year in terms of making better sense out of our bus operations.

I am with you. I would prefer to have you pushing as an advocate for more transit. That is infinitely better than benign neglect -- and I know I will never get that out of this Committee. Let's come back and revisit this issue with the Grumman buses. We are intending to do what we say.

SENATOR HERBERT: We could use that during our reelection campaigns. Jerry, let me tell you that you have been given probably one of the toughest jobs in government and I want to say that you kept me informed personally on that dirty bus thing. There is no doubt about it, the buses were dirty. We couldn't wash them. Some bright guy wrote a letter to the Star Ledger and said to drive them to some big lake - perhaps you saw that - and wash them there. Of course, with Mr. Premo dealing with the cost of fuel, driving to some lake to wash a bus probably wouldn't appeal to the neighbors of the lake, but also it would cost the taxpayers of the state thousands of dollars, perhaps hundreds of thousands of dollars in gasoline. It was a silly suggestion, and we sympathize with your problems.

Once again, thank you.

MR. PREMO: Thank you, Mr. Chairman and Senators.

SENATOR HERBERT: We have with us my colleague in the State Senate, the distinguished and able gentleman from Middlesex County, William Hamilton. Is Senator Hamilton here?

SENATOR GAGLIANO: He is coming.

SENATOR HERBERT: Okay. We will wait for Mr. Hamilton.

Senator Hamilton, welcome. Thank you for coming to Bergen County.

SENATOR WILLIAM HAMILTON: Mr. Chairman, I always like to be in Bergen County. I am glad you are here and notwithstanding that it is a political season, what I heard in the last few weeks certainly indicates that your hearing today is most timely and something that is a critical priority to the State. Though our State has always subsidized mass transit for over 10 years, our goal has always been to keep a healthy mass transit system available for residents at reasonable prices. Yet, the result has been a poorly planned, financially chaotic array of rail and bus lines that provide uneven service.

Two years ago the Legislature solved a few of our transit ills through the creation of New Jersey Transit. I wasn't convinced at that time that

it was a proper step, but the majority of my colleagues were. We reasoned at that time that public control could counter the inefficiency, encouraged by unbridled public financing. I think in all fairness it is still too early to proclaim the success of New Jersey Transit's efforts to make our mass transit rational.

N.N.T.'s suggested solution to its first major budget squeeze is, I think, clearly wrong. Not only would a fare increase of up to 50% be an insurmountable burden for many commuters, you would also run counter to the long-range goals of New Jersey Transit, indeed to New Jersey policy generally, for a more efficient system serving more riders.

We have heard a great deal of talk about the budget shortfall. I have seen the flyers. I have heard the rhetoric. At this point in time I honestly don't know how much it is. I asked Commissioner Gambaccini at the transportation forum a week ago whether for the next fiscal year it was zero dollars, \$20 million, or \$60 million, and at that time the result was unknown.

I don't know how we can possibly make any sort of judgment without knowing what we are losing in Federal dollars, because unless you know what you are losing in Federal dollars you don't know whether the projected shortfall is due to inflation, whether it is due to inefficiency, whether it is due to mismanagement, or whether it is due, in fact, to the loss of Federal dollars. I think one short term solution to the suggested shortfall is to find a new source of revenue or new amounts from existing sources of revenue for the system, and I have a proposal to do that -- I think a very modest proposal.

New Jersey's gasoline tax is one of the lowest in the nation because it is set at 8¢ a gallon, per gallon. Other states tax fuel with a percentage of the price at the pump and have taken in more money as the price of gasoline has soared in the last ten years. New Jersey has taken in less money from that constant rate of 8¢ a gallon as fuel consumption has declined. I think it is time to change the gasoline levy to a percentage tax, setting the rate to absorb New Jersey Transit's fiscal 1982 shortfall when that is ascertained, and on the low side of that shortfall. The difference ought to be less than 1¢ a gallon. But, in terms of future revenue that will be necessary when the cutbacks in Federal funds, proclaimed and pushed by the Reagan administration, become effective in future years, I think with a percentage type tax - a value type tax - we can generate additional revenue that ought to be used to encourage and to preserve mass transportation.

I think we have to act to avoid an increase in transit rates that would jeopardize the long-term plans we need for mass transit in New Jersey before they are even fully developed. A 50% rate increase, whether it is in two steps or twenty-five - or one bite at 50% - would send an estimated 13% of New Jersey Transit's 325,000 daily riders back to their cars, meaning further revenue shortfalls would result. Service would have to be cut and an essential link in our economic system would be dangerously weak.

Some fare increase is probably necessary today, and others will undoubtedly be necessary in the future, but they can't be imposed indiscriminately to meet an undefined and ill-defined budget crisis. I think commuters will accept an increase if it leads to on-time service, clean buses and trains, a seat for every passenger, and safe, well lit stations.

Establishing a minimum performance standard in these areas, something I don't think has ever been done or proposed, certainly, by the Legislature and has been done by the New Jersey Transit or by the DOT, at least, I have been kept in the dark about that. I think meeting those and establishing those minimum standards would help us meet our goal of running a mass transit system responsibly, and would do more to encourage ridership than even cutting the fare in half might be able to do.

With federal operating subsidies being phased out under the Reagan Administration, New Jersey can't fail to support mass transit. New Jersey Transit, however, has an obligation to formulate just as soon as possible a comprehensive policy on just what portion of its budget should be subsidized and what should be coming from the fare box. It seems to me once that policy is made it is going to make it possible to predict with some degree of accuracy future fare increases. But, until we make the policy determination that we ought to subsidize at the level of 40% or 60% or whatever the number might be, it is going to be impossible to predict what their future fare increases may lead to. A commitment of that kind would protect mass transit funding from unreasonable doubts and would keep fare increases reasonable.

Our current subsidies, 63% of the cost of a train ride, but only 33% of the cost of a bus ride, are irrational and can change each year. In setting up New Jersey Transit two years ago, we took one major step toward straightening out the counterproductive subsidy system. I think another step might be to put control on the subsidy dollars in the hands of the commuters, not the carriers, who would reward the best run and most efficient lines with their business. We could issue vouchers which could be used by commuters when buying their tickets, which could be used on rail or bus lines. The lines would then turn the vouchers over to the State and receive their subsidy dollars. Better service on a bus or train line would bring in more riders and more vouchers for a larger subsidy and reward performance rather than inefficiency.

To make sure that New Jersey Transit is managed efficiently, I suggest you might want to take a look at what was established in New York with their fiscal crisis of a few years ago, the Emergency Financial Control Board. A transit review board might be appropriate. It would serve two functions, first to review the annual budget and operating plan of New Jersey Transit to insure that the public mandate is being carried out. The Board could be empowered to order revisions in the budget. Secondly, the board could conduct regular reviews of transit service, calling on interested commuters to report on the quality of their train or bus service.

I think our transit system remains uncoordinated, poorly planned, underutilized, and in disrepair. It has been ignored too long to fix overnight. But, where we spent 20% of the State budget on transportation twenty years ago, we now spend 5%. I think we should expand programs that work - park and ride, for example. That is a real success story from my observations. And, we should pursue new ideas to make mass transit more efficient. The suggestions I offer to you may need study. Some of them, perhaps, ought to be disregarded. But, I welcome any comments on how to improve them. But, I think we have to look to fund an improved mass transit system in New Jersey, rather than letting it die with higher fares and fewer passengers.

There are one or two practical things that I would like to share with you. I think we really ought to send a message to DOT and to New Jersey

Transit. At the Metropark in Woodbridge, there is space there for some large number of vehicles to park. That is presently being used, not only for rail commuters but also for people who are carpooling. One of the reasons why that is so is, it is a free lot. Rather than ask all of the users of rail service to pay for whatever shortfall may exist, it seems to me that the State ought not to have any free Park and Ride facilities. I made an inquiry just a week ago to ask how many Park and Ride facilities were owned by the State of New Jersey, what was their capacity, and how many were free and what was the parameter of the charges that were made, and I was told there is no one place that collects that information. It is done on a local basis; it is done to meet local operating expenses. Well, if part of our transit system is designed to marry the automobile with bus and rail service in order to encourage people to use personal vehicles for short trips and then use mass transportation, I don't see how we can ignore the whole Park and Ride apparatus. Maybe there ought to be more Park and Ride operations. Maybe that is a part of where the subsidy ought to be if we want to encourage the use of mass transportation.

I have one or two other comments. These are personal observations, and may may not be valid system-wide, but I have to share these observations with you. I was visiting one of the shore rail lines last week. Senator Gagliano may be familiar with the South Amboy Station. I was there campaigning. There was not a receptacle in the facility to pick up the beer bottles and coke bottles that were there. That doesn't represent a major investment of capital, and yet I have heard that complaint time and time again.

In my hometown of New Brunswick, I walked into the rail station one Monday morning beset by an irate commuter. He said, "I used to live in Long Island. These trains are pretty good, and they run on time. But, look at this station. It is open to derelicts all week long. It is fairly clean for a Monday morning, and they will get around about ten o'clock to sweeping this place up." How can you expect anyone to feel they want to use that kind of a system if they don't feel safe, and if it is depressing to be there. Again, these things are not major investments.

Well, let me stop there. You may have some questions with respect to the observations I have made. I think it takes a coordinated effort. I think you gentlemen, as the first line of assault in the Legislature, have to tell DOT and New Jersey Transit what you want in terms of setting up a subsidy pattern, in terms of setting up parameters of service. Only after we tell them what we want can we then judge whether or not they are giving us what we want in terms of service and in terms of a subsidy program.

Let me share another thing with you, because it jumps out from my observations. I have seen the buses that are owned by one of the major private subsidized carriers in the State, Suburban Transit. I speak of it, because it is headquartered in my own district. And, I will tell you that virtually without exception those vehicles are sparkling clean on the outside. You could wear the inspector general's white glove and run your hands along and you might get a smudge. I can tell you that the rail lines that come up from the North Jersey shore - which Senator Gagliano knows all too well - and the buses that are owned by the State of New Jersey - whether they are operated by New Jersey Transit or operated by private carriers - are filthy. You could peel the dirt off. Now, I am a lawyer. I don't like to draw conclusions based on limited evidence. But, I am going to do it in this case, and the conclusion that I reach

is that you take care of what is your own and you don't take care of what somebody else has given to you.

I think maybe we ought to keep in mind some of those things. Maybe that is nothing more than a homily. We should keep some of those things in mind as we go about making transit policy. We just can't continue to be kitty that has grown from one half a million dollars in 1970 to \$88 million this year and we still hear the same complaints. I am echoing, I think, what I heard you saying to Mr. Premo the last witness.

Thank you for the opportunity to present my views to you, Mr. Chairman.

SENATOR HERBERT: Bill, we went through this when Mr. Premo was talking about the Washington buses. We acquired TNJ or NJT the end of last year, and we just acquired buses and we ran into the draught emergency and they just couldn't wash those buses. They are washing them now, and they do look a heck of a lot better.

SENATOR HAMILTON: I would hope so.

SENATOR HERBERT: Now, you proposed a gasoline tax, or the modification of it; would it be dedicated to transportation purposes?

SENATOR HAMILTON: I think statutorily we ought to earmark it at this point for mass transportation purposes. But, I think we have really gotten ourselves in a whole lot of trouble in tax policy in dedicating taxes constitutionally even by statute. We don't know where the problem is. Obviously we are talking about a user kind of a tax, and obviously we are trying to discourage the use of the automobile and encourage the use of mass transportation. I think we ought to do what is necessary to make sure that the additional amount of revenue that would be generated will be used for mass transportation.

SENATOR HERBERT: I refer you and your staff, if they want to make a note of it, to Assembly Bill 2319 sponsored by Assemblyman Edwards, co-sponsored by my colleague from District 39 John Markert, and Assemblyman Herman.

That bill, which is now in the Revenue, Finance, and Appropriations Committee in the Assembly is designated to transportation system maintenance, operation and improvement fund act, and it does provide the kind of tax that you talk about. It is a set 5% sales tax on the sale of gasoline, and it is a dedicated tax. But, as you know, that bill is going nowhere.

SENATOR HAMILTON: I know. Very honestly it is not akin to the proposal that I have articulated. I don't think you can put a sales tax on top of a gallons tax.

SENATOR HERBERT: Right.

SENATOR HAMILTON: It would seem to me that what you would have to do is to convert from the one to the other, make an allowance for some additional revenue this year--- I am not talking about large amounts of money. I am talking about \$5 million, \$10 million, \$15 million, the amount that I am told is the best estimate of what we are going to lose in federal revenue this year and allow the growth in that - as unfortunately the price of gasoline goes up - to generate the additional revenues that we need. I proposed that to the Governor in 1974, and had we known that the average price of gasoline was 44¢ and it is probably \$1.44 today, we would have more than enough money. We would probably be giving energy rebates if we had done that then. If we deferred on it and procrastinated before, I don't think it is any justification for doing that now.

SENATOR HERBERT: Well, of course, the answer is that it is an election year. Of course, in New Jersey almost every other year is an election year.

SENATOR HAMILTON: That is right.

SENATOR HERBERT: I have no further questions.

SENATOR GAGLIANO: I just want to say that Senator Hamilton is courageous. He has been involved in the commuter problem and he has been involved in our problems continuously and being a candidate for Governor, that takes a lot of courage, because I do think that some of them, maybe because they don't understand the problem, have chosen to remain away from this subject, but it is a serious matter.

As far as the Metropark is concerned, I think you were saying that we should charge a parking fee, or at least consider charging a parking fee for those who park there? There are about 2000 cars a day, I guess, parked in that area, and many of them illegally. I have done that too, just because there is no place to park.

SENATOR HAMILTON: I have been told within the last few days that the facility there may have been leased from Middlesex County. If that is the case, then perhaps my complaint is not with State Government but with County Government.

Even the 50% daily rate that is charged at the East Brunswick parking lot, which is neat and well maintained in Middlesex County, would create a couple million dollars a year. A couple million dollars a year from those people who get that extra service of leaving their car when they also ride mass transit would be that much less that would have to be found elsewhere in the budget or by additional revenues.

SENATOR GAGLIANO: Thank you.

SENATOR HERBERT: Senator Graves?

SEANTOR GRAVES: No questions.

SENATOR HERBERT: Thank you. Barnett Rukin, Short Line. He is an old friend to the Committee.

B A R N E T T R U K I N: I am glad to hear that. Thank you, Senators. In addition to being with Short Line, I also represent the New Jersey Motor Bus Association. I think it is interesting to note that of all these passengers carried on public transit in New Jersey, approximately 55% are carried by New Jersey Transit's owned or subsidized buses, about 24% by buses of private carriers, and about 20% by the railroads. So, we have a rather significant stake in the events that have taken place in transportation in New Jersey over a good long period of time.

What is key to the issue from the private sector is that the governmental solutions that have been proposed and proposed by serious people with great interest in solving the problems that we have is that the solutions have not worked for the twelve years that the government has been trying to establish those solutions. No matter what the program is called, and no matter who has been running it, in twelve years, and to this point, there is no solution.

In the interest of brevity, because we have talked about a lot of these issues for a lot of years, and much of what we are talking about today, as a matter of fact has a kind of deja vu sound to it, I would like to just discuss with you four basic proposals to get a program off on the right track. That is not to say that these are the only solutions or the only things that have to be done, or even to indicate that it represents the hundreds or thousands of issues that could be addressed in terms of grievances or gripes or small operating changes, or whatever. I think we have to have four basic areas that

we put some emphasis on now and hopefully use them to turn the system around to get better service out there for the people who have to use it.

Number one, we have to establish as a policy and a funding priority a system for paying for bus and rail services that is fair to all users. Right now all you do, for that matter all you have done, is to pay a company for its losses, and today that includes the companies that the State of New Jersey owns through their subsidiary of the New Jersey Transit Corporation.

Number two, I think we have to establish as public policy the percentage of the cost of the service that is being provided. That will be paid at the fare box. That has to be applied to all services, not necessarily equally, because I think this can be used as a tool for social goals, if that is what the decision of this legislature is. What comes to mind is perhaps urban services which would pay a small percentage of the cost from the fare box, perhaps suburban and commuter rail services would pay a larger percentage of the cost from the fare box, but nevertheless, there has to be some equity in the treatment that is given to the people who use the system and for the types of services that they use.

There is an argument made that rail passengers should pay a lower proportion of the cost because of the question of the dedicated right-of-way that rails have that they pay for, whereas tax dollars are paid for the highways that the buses use. I think that there could be a very simple analysis of that question to find out where the tax dollars are truthfully used and if there is a bias toward highway, then change the percentages by which the fares are paid.

To give you an example of what happens right now, approximately 25% of the operating costs on the railroads is paid for at the fare box. That is operating cost alone. We are not counting any capital costs at all. On a private bus line that is profitable, at least 130% of the operating cost of the bus is paid for by the passengers at the fare box. Because the bus line, in addition to its operating costs, is paying for all of its capital and equipment, in order to stay in business, they would have to make a profit.

Third, I suggest that we get as much of the public system as possible back into private hands; wherever and whenever possible we should strip the public operator of the routes that can be run by the private sector and get them into private hands. If that is not done quickly, I am afraid to say there will be no more private expertise - not by design, but just by the weight of the funding mechanisms and the institutional policies that have existed in New Jersey for a long time, there are less and less private operators every day. The economic pressure and political pressure on the private operators to stay in this business get more difficult all the time.

Fourth, I would like to ask for your help with the passage of legislation that embodies the points that are presently in Assembly Bill 1963, which was introduced by Assemblyman Fortunato to grant some tax relief to all bus companies. In the case of the subsidized ones, it is just a question of them paying certain taxes, which then is reimbursed to them through the subsidy mechanism. Also, to correct a semantic error in existing legislation where the law was designed to give some tax relief on sales tax to bus repair and it has not turned out to be that way.

I think with those four items in mind, we might be able to start to end the serial of the perils of public transit in New Jersey and maybe be on course for doing some of the many other things that will be required for

good service at proper pricing. Thank you.

SENATOR HERBERT: The bill by Assemblyman Fortunato is presently resting in the Revenue, Finance and Appropriations Committee. Have you seen any movement?

MR. RUKIN: No.

SENATOR HERBERT: None at all?

MR. RUKIN: No.

SENATOR HERBERT: I have no questions, thank you for coming. Your remarks are on the record, and I appreciate your solutions. Again, I think they are cogent ones because we have been hearing the gripes. Now we want to hear from the experts as to where we will go with viable solutions and we appreciate your coming here today.

Senator Gagliano.

SENATOR GAGLIANO: Buzz, your first point about the policy which would create a system to pay what is fair to all users, are you talking about the incentive type programs? How would you implement it in ten quick words? How do we implement an incentive program? It just doesn't seem to be within the knowledge of the people that run our system.

MR. RUKIN: I have recommended to the legislative aide to the Committee that an attempt be made to get somebody to speak to the Committee about the program that exists in New York State, which is an incentive based program. They have accepted that invitation only to come here as an information resource, because there are a lot of entanglements or dealings between the New York Department of Transportation and the New Jersey Department of Transportation. Nobody wanted to take an editorial position, which I think is valid. They were due here today. The Blue Ribbon Commission in New York City that is meeting to discuss a regional tax, perhaps, or a fare increase for the prices of funding that exist on New York City's transportation system is ongoing and all of the senior staff people of the Department of Transportation are in New York City giving a quick study to the seven members of the Blue Ribbon panel, and therefore could not make it today.

But, I had some discussions with the Bureau Chief who handles program evaluation in New York last night from the Governor's Office in New York City, and he indicated that at your request he would be happy to visit with you to discuss the plan that is in operation there.

SENATOR GAGLIANO: Can we ask him to come here?

MR. RUKIN: I can tell you just quickly that the program in New York State works through political subdivisions. There is a prohibition in the State Constitution about passing on subsidy from the State to private enterprise. So, public subdivisions, either counties or cities or transit authorities are embodied to collect the money from the State and then to contract with operators or to provide their loan service. The money comes down on a formula basis, which is based on the number of miles run and the services that the State has decided are eligible for their assistance, and it is also paid for on the basis of the number of passengers they carry. Therefore, the only way to get money is to run miles and to carry passengers, and the only way to get more money is to run more miles and to carry more passengers. The amount of the losses have nothing to do with it. In the way the program was founded - I must tell you in all candor that many of the municipalities that have other problems have rechanneled the funding to some of their loss operations at the expense of some

of the profitable operators. The quid pro quo for the State against the private operator getting a windfall ultimately rests in their ability to control fares. All fare increases have to be approved in New York State by the Department of Transportation, and on the federal side, in ICC fares, the State of New York has become a party to the proceedings in many cases, which has happened in New Jersey as well.

In addition, there are some limitations based on operating ratios, and/or return on investment which are recalculated each year based on what the needs are today with 20 1/2% prime rates, the requirement for return on equity is a lot higher than it was when you could get equity capital at 6% or 7%, or whatever it may be. So, there are plans that are submitted by the Department to the Legislature on the results of the prior year's plan, recommendations for the future year, and strong negotiations that go on each year between the Bureau of the Budget, Governor's staff, Department of Transportation, and the Senate and Assembly Transportation Committees before the legislation is passed each year.

There is not a dedicated tax in New York, however, for this. It is enabling legislation each year.

SENATOR GAGLIANO: Now, do you have a recommendation on what percent of the cost should be taken out of the fare box for a suburban-type transit user? Let's say it is a fifty-mile run. Do you have any recommendation or any feel for what percentage you think should come out of the fare box, and what percentage you think we can cover with a subsidy?

MR. RUKIN: I have a great deal of difficulty between my vested interests and my personal beliefs and the needs for our industry on that question.

SENATOR GAGLIANO: Well, remove yourself from it. Try to give us an idea. We don't wrestle with your problems. We are trying to wrestle with the public problems.

MR. RUKIN: Let me give you a short history of our bus line since the subsidy program began in 1969. Actually, it began earlier for the railroads. I think it might have been in 1967.

We had a very tough policy decision to make, because our primary competitor for passengers is the railroad, the mainline of the Hoboken division of the old Erie Railroad. When the rail fares stopped going up after the subsidy began - because the money was coming from the public till, and we could not get any recognition of our need for equity - we made what we thought at the time was a very tough decision, and that was that our fares were going to have to reflect our costs and our need to provide first-class service.

We followed that pattern to the point where - in the sixties, the rail fares were significantly higher than the bus fare - prior to the 40% fare increase on the rail lines in our area a year ago, the bus fare was significantly higher than the rail fare, and in addition the rail passengers got the benefit of the very high subsidy on the PATH line to get to New York where our riders were subject to the rapidly increasing public transportation fare in the City of New York.

Through all this, in an area of the county that has had declining population - not declining households, but declining population - we have increased our ridership. I will have to protect that statement now. We have ended a sixteen day strike and our business is now somewhat off from where it was prior to the strike. However, I would say that compared to a year ago at this time

we are probably at least level with what we were carrying and perhaps we even carry more passengers than we were a year ago.

This is with competition that is priced at 25% of the cost of the service on an operating basis - probably 15% of the cost of service if you include capital. Where, ours is at 105% of the cost of the service fully allocated at perhaps 140% of the cost of the service on an operating basis. I am proud to say that we are recognized and we do provide first-class commuter bus service in the State of New Jersey. We have modern vehicles, and we have well-trained and courteous bus drivers. Our maintenance is good; our equipment is good; our staff is good; terminals are not so good. Our parking facilities are terrible. We get virtually no assistance from the State. If that be the purpose of all this background, and from what Senator Hamilton has said about Suburban Transit, which is another fine bus operator in the State of New Jersey operating in excess of 150 vehicles from one of the biggest growth areas in New Jersey and western Ocean County and a lot of Middlesex, we are carrying people and we are growing with the people paying the full cost of the service. That is not a political statement to make, obviously, you know, but those areas are more affluent than the inner cities and the old urban areas. Perhaps they ought to pay 100% of the cost. I don't think that is really as crucial to us as is equity crucial to us. If the goal is to get people out of their cars - and that goal is to reduce the cost of public transportation to the user below what it is really costing to produce, that should be for everybody in the State of New Jersey who uses the service. We are not looking out for Short Line or Suburban Transit or for Red and Tan, or for Community Coach or any of the other private bus companies in the State. We are really addressing that to your constituents who use these services. They are presently being discriminated against solely by where they live or where they work. That is not the way to get them out of their cars and into public transportation.

We think that you treat us equitably; the motivator for us would be the buck. We want to make a profit. We work hard to make a profit. If we have the opportunity to attract more people, we will buy more buses, and we will put more service out there and we will hire more drivers. We will pay taxes. They will pay taxes. We don't have any problem with that. It is really a public policy question. I don't mean to throw it back in your lap, but it is a public policy question.

SENATOR GAGLIANO: We realize it is a public policy question, and that is our problem. We are trying to come up with the equitable answer to the public policy question. We have been after this for a long time. It still alleviates us-- Gerry is studying it now in hopes to come up with an answer within a month or so with respect to this study, as to just how much comes out of the fare box and what type of runs and all the rest of the details.

MR. RUKIN: We have a decent and seemingly improving relationship with Gerry and his staff and with the Commissioner. They have big problems. And, the interesting thing about their big problems is they are no different than they were in 1969 or 1973 or 1975 or every year that we have had since then.

If we can spend some time on that deja vu--- I think I said it clearly two years ago. You need money for good transit, but money alone isn't going to give you good transit. It is just not going to happen. You need a lot of other things. Thank you very much.

SENATOR HERBERT: Thank you. Harold Kendler, United Transportation Union.

H A R O L D K E N D L E R: Senator Herbert, Senator Gagliano, I see your colleague, Senator Graves has left us.

SENATOR HERBERT: Yes, indeed. He went back to Paterson.

MR. KENDLER: I have supplied you gentlemen with copies of a statement that we have made before the New Jersey Transit at the series of public hearings held throughout the State regarding the problems of public transportation and the need for additional fares and reduction in services and costs.

Now, in the first place, I want to introduce myself. I am the Legislative Representative and the Local Chairman of Local 1370 of the United Transportation Union. Our members are essentially the passenger/conductors and passenger/trainmen who are engaged in the Amtrak Service between New York and Philadelphia and Washington and Harrisburg. We also operate the former Penn Central commuter services in New Jersey across to Pennsylvania.

I am also a former Assistant Director of the Division of the Division of Railroad Transportation, the predecessor agency of the the present Department of Transportation, a former Consultant/Administrative Aide to the New Jersey Senate Transportation Committee under an earlier administration. I am also on the Advisory Council of the New Jersey State Department of Energy. I also serve on the Executive Board of the Save Our Port Coalition.

We have made several recommendations through the United Transportation Union, but in order to deal with the problem cohesively and intelligently, I organized the representatives of the former Erie Lackawanna and the former CNJ with ourselves, and we call ourselves the New Jersey Passenger Service Labor Force Coalition, so that we can comprehensively deal with both Conrail and New Jersey Transit simultaneously. This has jelled into a series of meetings that started in February and we deal, Senators, with other than labor/management problems, because they are handled by other facets of our operation.

We deal with the quality of passenger service and the needs of good passenger service, and we make recommendations. We also lend our expertise to the State agency as well as Conrail for the purpose of such betterments. Without going into the details - because you have a copy of our statement - I wish to make just some brief statement from our recommendations.

Primarily we say again that we have the expertise to offer innovations and proposals that will serve the public interest well and in this regard we believe the following suggestions warrant the earliest possible consideration:

1. Commuter fares to be declared a State tax credit (100 cents on the dollar) for each user of rail, bus, car pool and van pool transportation. This will result in accountability of funds, reduction in appropriations, grants, bond issues, et cetera and improved identification of expenditures. The fare box will become the principle source of funding and the commuter will receive a more appropriate tax consideration involved with public transportation services than has been possible at this time. Thereafter, the State's Congressional Delegation should be called upon to develop legislation that will contribute to this conception and assist the State with significant federal tax considerations or funding essential to the success of this innovation.

2. We have looked at the St. Lawrence Seaway Project and we have found that there is a distinct adverse effect on the economy of the northeast corridor and a distinct adverse effect on the former New York Central and Pennsylvania

Railroads that forced them to merge, and where they were previously a tax rateable which the federal government and the various state governments enjoyed their revenues, we now find them to be wards of the State requiring all types of assistance, and that is one of the problems plaguing your Committee as well as New Jersey Transit, labor and everyone else, particularly the user of the services, the commuter as well as the shipper and the consignee.

I am not going to go into depth about this. The statement speaks for itself. Rather than burden you at this time, I will hope you will read the entire statement. I know there are other speakers here. I will leave it to your own good judgement to read our recommendations in this respect, and if there are questions we will be happy to answer them.

3. The statement goes on to say that instead of government supporting two transportation systems, as between the railroads and the U. S. Postal Service, we submit that the Postal service be reoriented to the railroads and utilize the unused Post Office-Railroad connected facilities and equipment to be found in New York and other major cities. Everyone who remembers the high quality of mail service when it was carried by rail can attest to the need for change from the present unsatisfactory rubber tired service that is not energy efficient and contributes to our air pollution.

4. Change the legislation and/or administration determination that authorized the Port Authority of New York and New Jersey to collect an increased toll of 25¢ per passenger vehicle (more from other than passenger vehicles) per trans-Hudson crossing and then become custodian of such funds.

We find that the increased amount collected and not released to the respective states of New York and New Jersey in timely fashion has resulted in a loss of purchasing power by reason of inflation and denied the State access to funds that could have been earlier put to use as cash flow and the establishment of lines of credit.

Now let us address the allegations advanced by Conrail and New Jersey Transit regarding certain "obsolete, but costly, work rules and bases of pay, et cetera," which have been well publicized in the news media and the alleged labor blame in this regard has received supportive expressions from commuter group leaders, legislators and others of political persuasions.

We submit that this organized, well orchestrated, rail labor name calling serves no good purpose and labor's true role requires understanding based on truth and facts in sequential order and not out of context of events.

Much has been made of a few crew assignments, approximately 14% of the total number that have long layover time away from home terminals and not all of these in exclusive New Jersey Transit commuter service operations, which would result in New Jersey Transit layover crews to approximately 10% of the total passenger assignments.

In the first place, all crew assignments are singular managerial prerogatives and representatives, such as some of the respective members of our labor coalition, may petition the railroad to rearrange assignments only on the basis where labor's proposal is more economical to operate. Away from home layover time for operating crews is not a result of labor-management negotiations; it is a product of a management conceived arrangement of manning passenger trains. Long periods of time at away from home terminals developed from the railroads successful efforts before State regulatory agencies, after World War One, to eliminate mid-day passenger service. After World War Two, these mid-day commuter

trains and late night service eliminations continued. It was always represented by the carriers that there would be great labor-cost savings by such train service eliminations. The record supports labor's expressions to the contrary.

Thereafter on the lines of the former Pennsylvania Railroad an arrangement of commuter service train crew assignments was developed where crews worked into New York in the morning from suburban terminals and thereafter were assigned to assist crews on inter-city trains serving Philadelphia and Harrisburgh, Pa., Washington, D. C. and Atlantic City, New Jersey and thereafter completed their assignments to their home terminals. These productive crews were in effect until Conrail acquired the bankrupt railroads April 1, 1976. Thereafter Conrail and Amtrak agreed to disagree about these crew assignments and separated Conrail service from Amtrak so that no single assignment would work both Conrail and Amtrak trains during one tour of duty. That resulted in longer away from home layover time and more costly operation of passenger service by both railroads, about which labor had no say whatsoever. Labor complained about the additional costs to the carriers and State alike, because in our experience we knew a day of reckoning would come and we could anticipate all responsible parties getting on the bandwagon and joining in finger pointing at labor as the culprits responsible for long away from home layover time.

SENATOR HERBERT: That is exactly what has happened.

MR. KENDLER: That is the background. Our terminal facilities leave much to be desired. We do have crews who are work oriented, and, where their assignments permit, work part time at another job. The railroads, the State and others would have the public believe that this work-syndrome is some form of wrong-doing. Why? Let us look around our society and examine the work syndrome of others. For example, the New Jersey Legislature is made up of part time workers and they get paid before they perform any work while they continue with their professional and business interests. This New Jersey Passenger Service Labor Coalition is made up of part-time railroad workers who also work part-time during layover time and after work tours as labor representatives. There are other numerous examples of people who work at a profession or business and devote part of their work day to other activities such as a number of people who appeared at a public hearing called by the New Jersey Senate Transportation Committee on Monday, April 6, 1981, in Trenton, at which time they joined in castigating labor as per New Jersey DOT and New Jersey Transit's "Institutional Alternatives Report." There are always some workers in the transportation industry, air, marine, rubber-tire and rail who have time and willingness to devote to other productive endeavors to increase their personal income. What is wrong about that? We always thought that is the American way; to work hard, produce more, pay taxes on all that you earn and in general be a law abiding, respectable member of one's community.

Well, that is what railroad workers are, just plain hardworking tax paying citizens. We do not have horns growing from our heads or fangs from our mouths. The bottom line is essentially this: Labor is not responsible for layover time. The railroad has the right to work men on as many trains as can be programmed. There are no labor negotiated agreements that prevent the assignment of crews to mid-day service, where it exists and where crews are needed.

Wages of railroad workers are based on a monthly basis. In fact, the railroads refused to pay their employees weekly until State laws were passed for that purpose.

The so-called 100 mile day is 150 mile day for passenger train service crews, and the reason for a mileage basis in the wage structure that was negotiated was a condition insisted upon by the railroads as an incentive to workers and to pay a lesser hourly rate.

On the former Penn Central and Erie-Lackawanna nine hour tours of duty in commuter service are paid eight hours under the eight within nine hours pay provisions rule. Overtime after nine hours is at less than straight time pay on the former CNJ where there is a 5-day worker week, inclusive of the better wage scale which was negotiated predicated on a large number of "give-backs" as a productivity factor.

Since World War I, every national settlement of a wage-rules dispute which resulted in increased wages for the employees also resulted in reduced labor costs to the railroads. As an aside, in the 1950's and 1960's the ICC approved several railroad freight tariff increases applied for by the railroads in anticipation of increased labor costs which did not happen.

If there are onerous and service restrictive labor agreements, and such agreements have been a very well-kept secret by Conrail and New Jersey DOT and New Jersey Transit, because up to this time, labor has not been called upon to negotiate changes in rules about which news releases from Conrail and New Jersey DOT would have the public believe keeps the railroad and the agency from service improvements. If the situation has been so horrendous for such a long record of time, why hasn't the subject surfaced up to this time?

In conclusion, we believe there have been extraordinary large expenditures of public funds by omission and commission involved with electric self-propelled (MU) cars, incompatible coupling systems between series of cars, failure to re-electrify E-L right-of-way to accommodate the arrival of Arrow-3 coaches which are being used on former Penn Central lines and will be in sorry shape by the time these cars can be assigned to the Erie-Lackawanna service, failure to provide for research and development of hybrid locomotives to be used in both electric and non-electric operations without the need for locomotive change which would have permitted greater economies in purchase, train service operations, manipulations of equipment, maintenance and repair, and the extensions of electric service from South Amboy to Matawan, New Jersey, will prove an extraordinary expense in every aspect including increases in labor costs which is not justified by the service that will be operated after the project is completed.

Too much money has been spent inappropriately and now the transportation "cupboard" is somewhat bare and New Jersey DOT and New Jersey Transit looks to commuter fare increases, service curtailments and reductions in crew wages to make up the short-fall.

Where we could, labor gave advice to the State over the years relative to their expenditures which was almost totally disregarded. We stand ready to assist in developing improvements in rail service and to restore public transportation integrity in the operations, if we are permitted to do so. Up to this writing, rail labor organizations are conspicuous by their absence in State DOT and New Jersey Transit agencies, task forces or advisory groups.

Organized labor is not an adversary group, and we are not hostile to the public interest. We submit we are the best transportation informed friends of commuters and taxpayers. We look forward to the opportunity to demonstrate that friendship with our expertise and ability to implement the public transportation systems of the future.

I have before me, and I have furnished you with copies, a brochure which we, members of the New Jersey Coalition, paid to prepare and distribute

for all the commuters, based on the testimony and the positions taken at public hearings by New Jersey Transit. So, they can address the New Jersey State Congressional delegation and legislators and know who they are. We did this as a public service. We intend to continue to serve the commuter. We intend to continue to serve the legislature and all other governmental agencies in this same manner. We are prepared to adjust in any manner that which would best serve the public interest without taking out members and putting them in the shortfall independently.

If there are any questions, Senators, I would be most pleased to respond to them.

SENATOR HERBERT: I might say that I have been receiving hundreds of postcards. So, you are doing a good job.

MR. KENDLER: Thank you very much, sir.

SENATOR HERBERT: These postcards contain writing with suggestions that they have made. I appreciate your statement. It is a very fine statement. I think you met the whole issue head-on.

We had a hearing in Hackensack in which your suggestion was also given to us by a Dr. Abraham Stein that any future increases on the bridge and tunnel fares be appropriated by the States of New Jersey and New York and that the Port Authority merely act as a fiduciary agent. We thought the suggestion was good. We might run into some problems with the bond holders. That was the big problem.

MR. KENDLER: Senator, may I take just a moment, with respect to past suits by the bondholders, that was relative to funding by the Port Authority exclusive of the additional 25¢ per vehicle that we are talking about. This additional funding was precisely identified for improvements in public transportation.

SENATOR HERBERT: Absolutely. I remember it well. I was a freeholder at the time, and we protested the fares, the toll increases. It was only after Dr. Ronin begrudgingly agreed to give each state a certain amount of money that we approved it, but it happened. The Governors of each state signed that.

MR. KENDLER: I recall the areas of persuasion that were effective at that time. Senator, let me make one other comment. It is being represented that there is a need to increase revenues for the purpose of operating our commuter service and the present position of New Jersey Transit is to increase the commuter fare. I submit, sir, that the reasoning was inappropriate to our needs. We should be concerned as our accountant is concerned, which is the bottom line. We want increased revenues.

The fact that you will have an elite group of commuters, if these fare increases go in, who can afford to pay a higher fare is not the true test of our needs. What we have to have are more people riding on these trains. If necessary, it might be appropriate not only to keep this fare at this level, but to reduce it. Let me point out something with respect to that. We just listened to a very articulate gentleman speak on behalf of one of the bus lines. The competitors--- There are no competitors in public transportation either between bus and rail or between bus lines, because the market is wide open.

As I recall when I sought the agency, and there has not been a significant change, approximately 15% of the total commuting public - either interstate or intrastate - travel by public transportation. The balance travel by private transportation, using their vehicles. I am not even speaking about car pools. Now, there is little question that approximately one-third of those presently using private transportation will have no other alternative. They have to use

it. They have multiple destinations and the character of their business activities is such that they will always be in their private automobile. That is part of the world balance transportation system. But, the marketplace is the other two-thirds, who can be attracted to public transportation both by bus and rail. I submit, of that balance, if merely 5% or 10% ever decided to ride public transportation services, we don't have the capability to handle that right now.

SENATOR HERBERT: Thank you very much.

SENATOR GAGLIANO: I have a question. I want you to tell me - since you are a representative of the union - in your opinion why are the trains filthy? Mainly it is outside now. They are somewhat cleaner inside. But, basically they are filthy. Why?

MR. KENDLER: Well, first let me make one comment. It is not going to get better; it is going to get worse, because at least 163 non-operating employees have been terminated by Conrail from the various services that they have performed, including laborers that do this sort of work. One of the problems that is involved with public transportation on the railroad is either the absence of supervision or the absence of satisfactory supervision.

I am speaking now as a union representative. You know, working people require supervision and in the transportation industry it is unique from the commercial interests and the industrial interests - there are no foremen around per se and no managers around as such--- Actually, we are governed by rules. You know what your job is. It is spelled out. Sometimes people get a little too rigid. But, in order to see that there is implementation of the duties, it requires somebody to oversee the work.

Now, I am talking about Bay Head in particular. That has been the source of complaint by people such as myself and my colleagues in addition to the commuter groups and to my knowledge in the Bay Head area in the last four years there has been at least four changes in supervision. So, you see, you are in an area now that requires that type of activity. All business interests require that type of activity if you are going to be profitable. Either you as an owner are going to watch over your own factory, or you are going to have someone reliable to do it for you. If it is not being done, lo and behold, you have this laxity in performance. It is unfortunate, but that is the bottom line. It requires more qualified supervision. It requires firmer supervision, and it requires people taking care of of the factory.

SENATOR GAGLIANO: Would you say that supervision is the main problem with respect to the operation of the rail lines?

MR. KENDLER: Yes, sir. And, I might say that one of the problems and why it is so---

SENATOR GAGLIANO: You know, I agree with you.

MR. KENDLER: Let me tell you one other thing. I am a union representative. Perhaps I should not be saying this. But, I have spent twenty years advising top management of the Pennsylvania Railroad, the Penn Central, including Conrail, and in order to get the qualified people in supervision, you have to pay them adequately. Now do you realize what we have in our industry? Intermediate supervision earns less than the people they supervise. That is an absurdity. And, they are required to work six and seven days a week. And, some of them are truly dedicated. And, others they just use to fill in the table of organization because the New Jersey Transit and the New Jersey DOT in their magnificence have said, "You know, we should have so many more train masters. So, fill the jobs." So, we fill them. We get names and we get bodies. We don't get efficiency.

SENATOR HERBERT: Thank you very much. We appreciate your testimony. Next we will hear from August Barbieri.

AUGUST BARBIERI: I am a commuter, also. Unfortunately, I guess, I am the commuter that uses that vehicle that is soon to be extinguished, the automobile. I am here at the invitation of Senator Gagliano to whom I wrote a letter several weeks ago, expressing my concern about the HOV lanes on the Garden State Parkway. As part of my introduction, I just want to make sure you understand what I am talking about here. I do have some comments relative to subsidies in mass transportation.

But, the HOV lane that I am referring to on the Garden State Parkway is a distance of approximately 12 miles that exists from somewhere north of Woodbridge to a point slightly south of the Union toll plaza. It is a distance of 12 miles and it is an area that - for the last twenty years - has been very, very highly congested on commutes, especially weekend tourists, Friday nights, especially during the summertime. Frequently traffic reports by radio would state that the Garden State Parkway is moving rather freely except for the traditional backup of traffic from Union through Cranford and Westfield and down into Clark. As a result of this congested area, the Parkway, four years ago, embarked upon a very expensive widening process.

SENATOR GAGLIANO: The New Jersey Department of Transportation.

MR. BARBIERI: Thank you, because this portion of the road is not under the jurisdiction of the Parkway. It is that section which is under the jurisdiction of the Commissioner of Transportation, Louis Gambaccini. Now, I don't know whether he was Commissioner at that time when it was started, but over four years, we suffered through a situation where the flow of traffic was constantly hindered as a result of this needed improvement.

All right, now, the improvement is finished. We have gone from three lanes to four lanes in each direction, and what happens? Commissioner Gambaccini comes along and he establishes what is called a HOV lane. The Garden State Parkway, which does not have authority here, I understand has opposed the Commissioner's policy to establish this particular type of lane. However, we now have a situation where twenty-five percent of the roadway is being used by less than five percent of the vehicles on that roadway.

Now, I can just imagine what is going to happen here as we approach the summer season. This only became effective in November, and we are going to have the same congestion that we have had for the last twenty years as all these vehicles start coming in to be squeezed into three lanes like they always have before. This morning, a very appropriate thing happened to me. I visited for the first time a person who lives in Edison. I visited his business, spoke to some of his personnel, and in getting acquainted I said, "Where do you live?" He said, "I live in Edison." I said, "I guess you use the Parkway to get here." He said, "Yes." I said, "What do you think of the HOV lane?" He had a very few choice remarks which I have heard from other people. He says, "I live in Edison. I get on there at the exit near the train station, and use the HOV situation for about two-thirds of the HOV lane." But, he is a single passenger, and he starts at seven-thirty in the morning to be at his business a little bit before eight o'clock. He says, "I am in bumper to bumper traffic, stop and go. I am wasting gasoline." Now, I can see it the few times I have used it. I have opportunities to go into Union County frequently, but not every day. But, when I go, it just seems to be so underutilized and such a waste of space, a waste of dollars, and a waste of gasoline. The Commissioner says

he is saving gasoline. I don't think he is. I think the hindrance to the flow of traffic is such that any benefits from HOV are lost.

I agree that the basic concept might be a good one, but not good for a twelve-mile section on the Parkway. It is good for the Lincoln Tunnel ramp, which is maybe a mile or two long, where you have a very high concentration of buses, and you need something like this to move mass transit through at a good pace. But, we don't have that in the Garden State Parkway.

Mr. Gambaccini is a product of the Port Authority. I believe one of your colleagues referred - unless I misunderstood, and if I did, I will apologize - to the Port Authority as having some very highly professional so and so's who fooled us before. Is that correct?

SENATOR GAGLIANO: They tried to fool us before.

MR. BARBIERI: Well, I want to remind you that Commissioner Gambacini comes from that particular groups over there at the Port Authority. I think every person who is interested in transportation in the State of New Jersey should read the New Jersey Bell Journal, Volume III, Number one, Spring edition of 1980. In there is an article by Louis J. Gambacini entitled "Transportation Planning in the Agency."

The philosophy this gentleman expressed was shocking to me when I read it. Possibly because my concepts might be narrow, but I also seem to look at it from a different viewpoint. I would like to quote a few things that appear in this article. It first starts off by giving a preamble indicating that the Department of Transportation has focused its planning on preserving the existing transportation infrastructure both highway and transit and finding low cost ways of optimizing their productivity off performance. Okay, a total dedication to what we have. Where did we go wrong? It gets involved in the fixation that the people have regarding the automobile. He says, "It is generally acknowledged that we have such a series of deep fixations about our automobiles that removing them overnight would extremely traumatic, even violent. But, gradual withdrawal might be acceptable." He is suggesting a withdrawal of the automobile.

Now, keep in mind, gentlemen, we live in the State of New Jersey. We do not have a vertical living establishment. We do not live in high-rises. We have a horizontal society. We live in low risers and we have a beautiful state. I want to continue.

Here is the solution now, for transportation, and I am quoting, "If the children of the baby boom now searching for housing can be induced to settle in cities"--- I wonder what he means by induced? ---"they will find that walking and public transit work in a centralized society." He goes on to say that if you don't live in an urban society, or if you can't be induced to move to an urban society and you live in a suburb of society, that we change our shopping malls, that shopping malls be changed to include residential areas, high-rises, so we can sort of live in a cluster situation.

It is my opinion that Commissioner Gambaccini does not have the proper attitude or the proper philosophy to meet the transportation needs of the residents of New Jersey. I would like to say a few things about the planned subsidies. The Commissioner advocates subsidizing rail and bus transportation at the expense of the taxpayers. He actually advocates a sales tax on gasoline, the proceeds of which will be used to subsidize rail and bus transportation. He refers to gasoline as being exempt from sales tax. In fact, gasoline has always been taxes, as you know. But he advocates doing it again, a double taxation.

We must keep in mind that even in this article he acknowledges that less than 60% of the revenue on gasoline tax goes to transportation needs. The rest of it, or a good part of it, goes into general revenues. We have always had this tax. It is now 8¢ on the gallon, and he is now advocating putting 5% on the gross selling price. I have heard people say today, "Let's not do that; let's increase the 8¢ per gallon to a higher rate."

My general comment on either method is this: I don't see how anyone can justify making a housewife who has to go out and use her car to bring her clothing to a dry cleaner, to buy food for her family, to do the other things, maybe take the children to school, take the children to a club meeting, or something like that, boy scouts, girl scouts, why should that woman have to subsidize some person who is sitting in a railroad car going to New York City to his job? Now, I admit there are social needs in certain urban areas---

SENATOR GAGLIANO: how about the other situation where you have the person who must drive the car to a job---

MR. BARBIERI: Of course, I mean, I am in that situation, because I don't go to the same location every day. I might go---

SENATOR GAGLIANO: What would you do if you worked in a place where there was no mass transportation?

MR. BARBIERI: You can't do it. But, I am expected to subsidize. I selected the situation of the housewife. She is not a commuter, but she is being forced to subsidize a commuter. I am sorry. I think it is morally wrong. It is not correct. Now, there are certain moral obligations that we have to our society. Yes, they do exist. But, to use a tax of this nature and use the funds to subsidize some train going to New York City, where somebody is going to get off the train and walk upstairs to a \$50,000 a year job, gentlemen, I don't have their sympathy.

Think of my situation. You people are here, and many people here have complained about an increase of 25% to 35% in fares. The cost of my transportation has increased over 50% within the last year. Why? Because gas was once less than one dollar a gallon. Now it is almost one dollar and a half a gallon.

SENATOR GAGLIANO: And, your next car is going to cost you \$12,000.

MR. BARBIERI: Right. I am not insensitive to the needs of others. But, I wish people would be sensitive to the majority. You people are here talking about 300,000 people who use your New Jersey Transit Authority facilities. What about the people who don't use it? They far outnumber--- But, unfortunately, it is another same situation of the silent majority. They just don't let themselves be heard.

I will continue with my comments very, very quickly. I feel that subsidized aid is improper. It encourages inefficient management, rewards incompetence and encourages waste and is counter-productive. Those are some quotes from the New York Times article of May 10th. I think we should look to New York City, Philadelphia and other places where we have had subsidized mass transportation. Look at the mess you have over there. Look at the situation you are going to have when all your transportation is being offered by a master agency with master labor contracts. You better be careful. You better start looking at the labor contracts you are looking at now. You are going to have yourself in such a box one of these days that it might be pathetic.

Remember, bicycles don't go very far in New Jersey - not as far as they go in New York City. I think we have a lesson to learn before we make

a similar mistake. Commissioner Gambaccini, in a quote from the New York Times of May 10th, believes that mass transportation should not be run as a business. I disagree. It should be run as a business with only one exception, you don't need a profit. You are an arm of the government, and you don't have to make a profit. But, if you get in there and you get the people to do the job, I think it can be run efficiently and it can be self-sustaining.

In conclusion, I expressed my displeasure with Commissioner Gambaccini's policies, with his HOV lane. I really think people should read this article and I made reference to it. I thought it was quite drastic. As I say, he is indoctrinated in the theory of the Port Authority. The Port Authority does great work transporting people across the river in certain high intensity situations. We don't have that in the State of New Jersey. We can't expect to apply those philosophies here in the State of New Jersey. I think if we try to do it, it is going to be unfair to a lot of people. Thank you.

SENATOR HERBERT: Thank you. I appreciate you coming. Your statement is on the record.

Is there anyone else who wishes to speak before the Committee? Would you identify yourself for the record, please?

J O H N D E M K O: I am John Demko of Amalgamated Transit Union, Senator. I would like to just take a couple minutes of your time. I have been sitting here patiently. I went down to Trenton, because I thought that was where the meeting was going to be held, and I had to make the trip up here.

Basically, I think we missed, really, what the Committee should know about mass transit, after listening to about three hours of deliberations.

Number one, I think mass transit should be a public service, not taking in the \$50,000 a year worker. How about the handicapped, the poor, the people who can't afford that \$12,000 car. I think we have an obligation to people who are less fortunate. Also, if we don't have people who transported from one end of the state or from one sector to another, we have more welfare. It is an obligation; it is a public service. It is just like the fire department and schools. Just because I have no children, am I exempt from paying the school tax? No. It is just a way of life today.

Going on a little further. Mr. Premo talked about rehabilitating buses. Well, we have buses out on the road four and five years old. The air conditioners didn't work last year, and just coming down the turnpike, through the City of Hackensack, there was a bus #165 with all the windows open. Really, you are going to raise fares and you are not going to give the people the adequate service. They have roaches on the buses. They are not maintained properly, and I don't know of anyone on the Committee - and I consider myself in the transportation business for 25 years; I started when I came out of the service --- It is declining very rapidly. You have to get out there and really see it. You have the pot smokers; you have the graffiti experts out there, and nobody is stopping it. You are chasing the people back to alternate means. Everybody is afraid to challenge the pot smoker, the guy who is using profane language, or the guy who tries to shake somebody down for a dollar on the bus--- Believe me, all these things are happening and nobody wants to face up to them. I think it is about time that legislation is passed to help the people that really have to ride the buses.

People are just afraid to ride the buses anymore in offpeak hours. They are being robbed, and they are being disturbed, and any time, anybody doesn't

believe me, we could go to the New York Port Authority and you could talk to a consensus of people riding the buses and listen to the horrible experiences that they have had. The money that we are putting into it, I think we should be able to see that people get better service and better treatment. You are not going to encourage our riding, unless you have some provision against the people, like the drug addicts and so forth and so on.

Gentlemen, I want to thank you for your time and effort, but I wish some research could be done in those areas. Until that is done, you are not going to get people riding the buses.

SENATOR HERBERT: We have had complaints about not only people smoking pot, but just smoking on the buses, and there is law today on the books. So, my response is, why doesn't the bus driver see a cop and try to call a cop over and complain that the people on the bus are smoking. Have them arrested. Why doesn't that occur?

MR. DEMKO: Did you ever try to call a cop in the City of Newark? I have had some of my people wait a much as an hour and forty-five minutes for a cop to come. How the hell long are you going to put up with this kind of service? If people are going to work or coming from work, they have to lose a whole day's pay because this bus driver pulled over because someone was smoking. I mean, these are the circumstances. And then the bus driver jeopardizes himself, because when they get off the bus, they do a number on the bus driver. So, you know it is a real sad situation.

SENATOR HERBERT: We have heard that.

MR. DEMKO: But, going back, I think if we clean up the buses, we maintain them, get the people on air conditioned buses, get the people into New York, they have the bus lane. I don't know if any of you have been in a bus lane. When a bus breaks down in a bus lane, everything stops for thirty or forty minutes. How the hell do you call this moving people fast? They have one lane. And, if a bus breaks down in that lane, that's it. It's over. Now, you come down the New Jersey Turnpike and it says, "Buses Only." Let me tell you something, everyone else uses that "Buses Only" lane. The only way it is enforced is if they go in the bus lane and they stop and pull a vehicle over. When the bus gets down the bottom of the tunnel ramp, it now has to fight with everybody else, the cars and the trucks.

In other words, this lane is not being utilized the way it is supposed to be utilized. If you are going to have a bus lane, if you want to transport people, then have some means of either shutting off another lane or moving this disabled vehicle over into another lane, and in five or ten minutes those buses should be rolling.

SENATOR HERBERT: That is not a matter for legislation. We could pass all the laws we want. That is a matter of good traffic control, supervision.

MR. DEMKO: I am only trying to tell you that if you can increase fares, and you are not going to give proper service, then where are you going? Really, where are you going? I want to thank you for your time and effort.

SENATOR GAGLIANO: We agree with what you are saying.

SENATOR HERBERT: Thank you. That concludes this public hearing. I thank you all for coming.

(HEARING CONCLUDED)



united transportation union

NEW JERSEY PASSENGER SERVICE LABOR COALITION

RAILROAD LABOR'S PUBLIC TRANSPORTATION PROPOSALS TO MAINTAIN
AND IMPROVE RAIL SERVICES AND TO PRESERVE REASONABLE FARES
AND
ASSESSMENT OF RESPONSIBILITIES
INVOLVED WITH
THE NEW JERSEY TRANSIT DISPOSITION
TO INCREASE FARES AND REDUCE RAIL SERVICE

BEFORE

NEW JERSEY TRANSIT PUBLIC HEARINGS

VARIOUS DATES IN APRIL, 1981

Greetings:

Our coalition members are United Transportation Union representatives whose members are employed by the Consolidated Rail Corporation (ConRail) in train and engine service, freight and passenger, on the railroads formerly known as the Central Railroad of New Jersey (CNJ), Erie-Lackawanna Railroad (E-L) and the Penn-Central Transportation Company (P-C). For the purpose of this presentation our remarks are essentially confined to rail passenger service currently operated in the State of New Jersey by both ConRail and the National Passenger Service Corporation (AMTRAK).

In explanation, AMTRAK holds no contract with the organizations representing train and engine service (the operating employees). Consequently AMTRAK's "operating" labor needs are provided from the ranks of ConRail employees and thereafter ConRail is reimbursed by AMTRAK.

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We are concerned with recent expressions from Federal and State sources regarding intentions to reduce funding for public transportation and to simultaneously reduce train service operations and increase passenger fares as alternatives to preserving, and improving, our public transportation systems in New Jersey.

We also take strong exception to representations by State Transportation Agencies that train and engine service labor agreements are significantly at fault for the problems at issue that effectively preclude the State from operating a viable rail commuter service and we shall respond to those ill-conceived, self-serving, rabble rousing public expressions in this presentation.

We want the public to understand that our Coalition's objectives are to assist in the development of a satisfactory level of passenger service that will preserve and attract patronage to our rail passenger service operations. So we initiated efforts to meet with ConRail and New Jersey Transit together, and our first meeting took place on February 13, 1981, at which time, amongst other items, we presented the following for attention:

1. Eliminate use of display type tickets because it has no redeeming qualities, is an annoyance to commuters, subjects commuters to financial loss when display tickets are lost or stolen.

2. The failure to satisfactorily service train lavatories.

3. Need for terminal improvements at Penn Station, New York, by making elevators operable on two (2) platforms serving Track Nos. 1, 2, 3 and 4 which are used only by New Jersey Transit commuter trains and which platforms have no escalators. Also at New York we expressed the need for re-establishment of a medical office. AMTRAK Station at Newark is another heavily patronized station that requires a medical office.

4. More economical train schedules on days preceding and following holidays, such as Thanksgiving, Christmas, 1980 New Year's Day, 1981.

5. Need for timely responsiveness for the unsatisfactory conditions directed to the attention of ConRail and New Jersey Transit.

To further assist the public in understanding that we stand as friends of commuters, and possibly the only true friends the commuter has, that we are free of guile, ambiguity or torture of facts is found in our efforts to preserve the level of commuter service threatened with curtailment and/or elimination by the New Jersey State Department of Transportation (NJ DOT) and the former Commuter Operating Agency in 1975.

The State stated there was a lack of funds and absent new appropriations planned the huge service reduction. Our UTU representative and member of the Coalition pressed the position that the State had funds on hand and declined to use this money and was thereby creating an unnecessary transportation dilemma. To prove labor's correct views in this regard, it was necessary to file suit in the Courts at great expense that resulted in the State Agency releasing the funds which preserved the service benefitting commuters and workers alike.

We say again that we have the expertise to offer innovations and proposals that will serve the public interest well and in this regard we believe the following suggestions warrant the earliest possible consideration:

1. Commuter fares to be declared a State tax credit (100 cents on the dollar) for each user of rail, bus, car pool and van pool transportation. This will result in accountability of funds, reduction in appropriations, grants, bond issues, etc. and improved identification of expenditures. The fare box will become the principle source of funding and the commuter will receive a more appropriate tax consideration involved with public transportation services than has been possible to this time. Thereafter, the State's Congressional Delegation should be called upon to develop legislation that

will contribute to this conception and assist the State with significant Federal tax considerations or funding essential to the success of this innovation.

2. The St. Lawrence Seaway Project has been the recipient of federal subsidies since its inception in 1959. It is our belief that the Seaway had created adverse effects on the principle railroads linking the mid-west with the Atlantic Seaboard ports and significantly contributed in changing these railroads from tax rateable properties to become wards of the State. The Eastern Seaboard and particularly its economy surrounding and dependent on the ports of Boston, New York, Philadelphia and Baltimore has also been adversely effected by the Seaway. Less than 3 percent of the vessels and barges using the Seaway fly the United States flag. Even Soviet and Soviet satellite nations are accommodated in this transportation giveaway. If our leaders in Washington, D. C. are going to hold back on transportation dollars for the Northeast Corridor States, then we direct their attention to some new priorities for their consideration. Before the Administration impales and/or destroys our railroad networks by denying the funds for continued rail operations on an adequate and serviceable level, we submit that the subsidies for the St. Lawrence Seaway be summarily terminated and that the Seaway tariffs be self-sustaining and also be set on a level that will finance the Seaway Extension improvements and also assist in funding the mass transportation needs in the 4 port urban areas above mentioned. It is high time this country stopped subsidizing transportation systems that results in foreign manufacture of products sold on the world's markets underpricing products made in the U.S.A.

3. Instead of the government supporting two (2) transportation systems as between the railroads and the U.S. Postal Service, we submit that the Postal Service be reoriented to the railroads and utilize the unused Post Office-railroad connected facilities and equipment to be found in New York and other major cities. Everyone who remembers the high quality of mail service when it was carried by rail can attest to the need for change from the present unsatisfactory rubber tired service that is not energy efficient and contributes to our airpollution.

4. Change the legislation and/or administration determination that authorized the Port Authority of N. Y. & N. J. (PANY&NJ) to collect an increased toll of 25¢ per passenger vehicle (more from other than passenger vehicles) per trans-Hudson crossing and then become custodian of such funds.

We find that the increased amount collected and not released to the respective States of N. Y. and N. J. in timely fashion has resulted in a loss of purchasing power by reason of inflation and denied the States access to funds that could have been earlier put to use as cash flow and the establishment of lines of credit.

Now let us address the allegations advanced by ConRail and N. J. Transit regarding certain "obsolete, but costly work rules and bases of pay, ect." which have been well publicized in the news media and the alleged labor blame in this regard has received supporting expressions from commuter group leaders, legislators and others of political persuasions.

We submit that this organized, well orchestrated, rail labor name calling serves no good purpose and labor's true role requires understanding based on truth and facts in sequential order and not out of context of events.

Much has been made of a few crew assignments, approximately 14% of the total number that have long layover time away from home terminals and not all of these in exclusive N. J. Transit commuter service operations, --- which would result in N. J. Transit layover crews to approximately 10% of the total passenger assignments.

In the first place all crew assignments are singular managerial prerogatives and representatives, such as some of the respective members of our labor coalition, may petition the railroad to rearrange assignments only on the basis where labor's proposal is more economical to operate. Away from home layover time for operating crews is not a result of labor-management negotiations; it is a product of a management conceived arrangement of manning passenger trains. Long periods of time at away from home terminals developed from the railroads' successful efforts before State regulatory agencies, after World War One, to eliminate mid-day passenger service. After World War Two these mid-day commuter trains and late night service eliminations continued. It was always represented by the carriers that there would be great labor-cost savings by such train service eliminations. The record supports labor's expressions to the contrary.

Thereafter on the lines of the former Pennsylvania Railroad an arrangement of commuter service trains crew assignments was developed where crews worked into New York in the morning from suburban terminals and thereafter were assigned to assist crews on inter-city trains serving Philadelphia and Harrisburgh, Pa., Washington, D. C. and Atlantic City, N. J., and thereafter completed their assignments to their home terminals. These productive crew

were in effect until ConRail acquired the bankrupt railroads April 1, 1976. Thereafter ConRail and AMTRAK agreed to disagree about these crew assignments and separated ConRail service from AMTRAK so that no single assignment would work both ConRail and AMTRAK trains during one tour of duty. This resulted in longer away from home layover time and more costly operation of passenger service by both railroads, about which labor had no say whatsoever. Labor complained about the additional costs to the carriers and State alike because in our experience we knew a day of reckoning would come and we could anticipate all responsible parties getting on the bandwagon and joining in finger pointing at labor as the culprits responsible for long away from home layover time.

Our terminal facilities leave much to be desired. We do have crews who are work oriented and, where their assignments permit, work part time at another job. The railroads, the State and others would have the public believe that this work-syndrome is some form of wrong-doing. Why? Let us look around our society and examine the work syndrome of others. For example, the New Jersey Legislature is made up of part time workers and they get paid before they perform any work while they continue with their professional and business interests. This N. J. Passenger Service Labor Coalition is made up of part time railroad workers who also work part time during layover time and after work tours as labor representatives. There are other numerous examples of people who work at a profession or business and devote part of their work day to other activities such as a number of people who appeared at a Public Hearing called by the N. J. Senate Transportation Committee on Monday, April 6, 1981, in Trenton at which time they joined in castigating labor as per N. J. DOT & N. J. Transit's "Institutional Alternatives Report." There are always some workers in the transportation industry; air, marine, rubber-tire and rail who have time and willingness to devote to other productive endeavors to increase their personal income. What is wrong about that? We always thought that is the American way; to work hard, produce more, pay taxes on all that you earn and in general be a law abiding, respectable member of one's community.

Well, that is what railroad workers are, just plain hard working, tax paying citizens. We do not have horns growing from our heads, nor fangs from our mouths. The bottom line is essentially this: Labor is not responsible for layover time. The railroad has the right to work men on as many trains as can be programmed. There are not labor negotiated agreements that prevents the assignment of crews to mid-day service, where it exists and where crews are needed.

Wages of railroad workers are based on a monthly basis. In fact the railroads refused to pay their employees weekly until State laws were passed for that purpose.

The so-called 100 mile day is 150 mile day for passenger train service crews, and the reason for a mileage basis in the wage structure that was negotiated was a condition insisted upon by the railroads as an incentive to workers and to pay a lesser hourly rate.

On the former P-C & E-L nine hour tours of duty in commuter service are paid 8 hours under the 8 within 9 hours pay provisions rule. Overtime after nine hours is at less than straight time pay. On the former CNJ there is a 5-day work week, inclusive of a better wage scale which was negotiated predicated on a large number of "give-backs" as a productivity factor.

Since World War I every national settlement of a wage-rules dispute which resulted in increased wages for the employees also resulted in reduced labor costs to the railroads. As an aside, in the 1950's and 1960's the I.C.C. approved several railroad freight tariff increases applied for by the railroads in anticipation of increased labor costs which did not happen.

If there are onerous and service restrictive labor agreements then such agreements have been a very well kept secret by ConRail and N.J. DOT-N.J. Transit because up to this time labor has not been called upon to negotiate changes in rules about which news releases from ConRail and N.J. DOT would have the public believe keeps the railroad and the agency from service improvements. If the situation has been so horrendous for such a long record of time why hasn't the subject surfaced up to this time?

In conclusion we believe there have been extraordinary large expenditures of public funds by omission and commission involved with

electric self-propelled (MU) cars, incompatible coupling systems between series of cars, failure to re-electrify E-L right-of-way to accommodate the arrival of Arrow-3 coaches which are being used on former P-C lines and will be in sorry shape by the time these cars can be assigned to the E-L service, failure to provide for research and development of hybrid locomotives to be used in both electric and non-electric operations without the need for locomotive change which would have permitted greater economies in purchase, train service operations, manipulation of equipment, maintenance and repair, and the extensions of electric service from South Amboy to Matawan, N.J., will prove an extraordinary expense in every aspect including increases in labor costs which is not justified by the service that will be operated after the project is completed.

Too much money has been spent inappropriately and now the transportation "cupboard" is somewhat bare and N.J. DOT-N.J. Transit looks to commuter fare increases, service curtailments and reductions in crew wages to make up the short-fall.

Where we could, labor gave advice to the State over the years re ^{related to} their expenditures which was almost totally disregarded. We stand ready to assist in developing improvements in rail service and to restore public transportation integrity in the operations, if we are premitted to do so. Up to this writing rail labor organizations are conspicuous ^{void} by their absence in State DOT and N.J. Transit agencies, task forces or advisory groups.

Organized labor is not an adversary group and we are not hostile to the public interest. We submit we are the best transportation informed friends of commuters and taxpayers. We look forward to the opportunity to demonstrate that friendship with our expertise and ability to implement the public transportation systems of the future.

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BEFORE THE
NEW JERSEY STATE
SENATE TRANSPORTATION COMMITTEE

May 28, 1981

Public hearing on trans-
portation financing and
policy programs

COMMENTS
OF
NEW JERSEY MOTOR TRUCK ASSOCIATION

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As with the proverbial weather, everyone seems to be talking about the problem -- the deterioration of New Jersey highways -- but no one is doing anything about it. We in the New Jersey Motor Truck Association do not wish, therefore, to add more talk; rather, we propose a specific solution. We believe that solution to be: dedication of highway user taxes to highway use -- solely.

What is dedication? Let me use an illustration. Many of us have seen in consumer-oriented magazines and in the so-called women's pages of the newspapers articles and charts about family budgeting. Usually, a homemaker or husband and wife write to the publication asking how a person's or family's income should be allocated, so as to stay within a budget and, perhaps, even save a few dollars -- and, most certainly, stay out of debt.

In every case, the answer to the homemaker or the couple is simple: make a budget, dedicate so much each week or month to a particular budget item, and stay within it -- no matter the pressure or temptation to spend elsewhere. Success comes when the budget is adhered to, when one does not take from Peter to pay Paul, as the old adage has it.

It is our view that the state government should also match income with expenditures, that budgets should be adhered to, and that neither New Jersey politicians nor New Jersey bureaucrats should take from Peter to pay Paul -- no matter the temptation or the pressure. In short, money raised from highway use should be used solely for highway purposes.

For many years now, New Jersey has had the dubious distinction of leading or being among the leaders in states in its diversion percentage. Diversion of highway use funds to other purposes is not something new in our state. Diversion is at least 50-years-old (or around 1930, when federal authorities began recording such information). But, in total dollars, there was little diversion of highway user funds to other state departments before World War II. To be sure, New Jersey was known throughout the country and the world for its adequate and modern highways (the famous Lincoln Highway, the Pulaski Skyway, the then-progressive use of traffic circles, and many more.)

World War II, unfortunately, put a halt to the progressiveness of highway construction (planning, engineering and building) in New Jersey. Even worse, in 1947, the State Constitution was revised and, among others, one change prohibited dedication of revenues. New Jersey at that time opted to throw all its revenues into one pot -- thereby allowing the political cooks to spoon out the concoction according to, in plain English, those with the biggest appetite. Frankly, from that time forward, funding for New Jersey's highways has not kept up with traffic. The Federal Highway Administration estimates that more than \$3 billion in state revenues have been diverted to nonhighway purposes over the past 34 years.

Think of that approximate \$3 billion for a moment. That amount is very near the figure that Louis Gambaccini, state commissioner of transportation, says the state requires

to apply to the backlog of highway projects in New Jersey. If only the state government had listened to the advice of Ann Landers (or her equivalent) about adhering to budget, then our highways would today be in the best of shape.

Quite true, New Jersey has benefited from federal highway funding. Our great Interstate Highway System roadways were built with 90 percent federal money, drawn from highway user taxes. In addition, the state has built other satisfactory highways through the so-called authority process. Authorities are formed, bonds are floated, roads are built, and tolls on the roads pay for the funds raised through the bond sale. Many transportation critics, and much of the public, are unhappy with toll roads -- mainly because the authorities which run them become separate empires, accountable only to themselves, and because tolls are nothing else but an indirect form of taxation.

At any rate, diversion of highway use taxes has left New Jersey with its present problem. It is not our objective to criticize the projects for which the \$3 billion in diverted funds were used. We would point out that a great deal of this revenue has been applied to social engineering projects. Our state would be in better economic condition now and industry would be expanding here instead of going South, if at least half of those diverted funds has been applied to highway engineering. Maybe, if we had built better roads to reach our cities, people and business would be going to, rather than from, the urban areas.

Pertinent, too, at this point are transportation bond issues floated after approval in a statewide election. It is, of course, no secret that scholars have long disputed and most often opposed the concept of referendum for purposes of raising revenues. Representative democracy, in which the United States has been the model for the world for nearly 200 years, implies that elected representatives should and must make decisions and be held responsible for such decisions to the electorate in future elections. Political representatives have no business shirking this responsibility of decision-making, including the tough one of taxation and funding of programs.

New Jersey -- and other states, more and more -- has corrupted representative democracy because often its political leaders have refused to make a decision and, instead, have gone the route of referendum. Through this method of indirect taxation, the politicians have gotten off the hook, so to speak. We in the NJMTA have supported transportation referenda because it was the only method political reality dictated. We would have preferred, as we prefer today, dedication of funding from highway users to highway projects.

At this point, it is pertinent to emphasize that we in truck transportation in New Jersey are opposed to -- to be sure, we are offended by -- assertions of some New Jersey officials that Conrail should be subsidized with state funds.

Why should the taxpayers of this state subsidize one form of transportation when there is another, more technologically advanced and cheaper transportation mode that can take easily its place? There is no shipper in New Jersey that is unable to be served by motor carriers. Why, then, use tax funds to bail out railroad freight transportation?

In saying this, we must point out that our Association supports realistic mass transit projects, by rail or any other means. But if state funds are to be used for mass transit, they should not be diverted from funds earmarked for highway purposes (construction, maintenance, repair). We believe that mass transit should pay its own way, and that fees and taxes on truck transportation should not be used to finance mass transit schemes. The American people, and New Jerseyans in particular, have demonstrated their support for improved highways to be used by automobiles and trucks. Neither the automobile nor the truck should pay for mass transit objectives.

We have seen over the past couple of years a major shifting in the political thinking of the American people. More and more, the voters seem to say that taxation is too much and government spending is too much. More and more, the voters seem to say that we should try other ways to reach for tax revenues and other ways to spend them -- as well as, that big question, of how much.

We in the New Jersey Motor Truck Association have not been elected representatives of the voters of this state. We cannot legislate, nor do we have any desire to do so. Our hope is that our legislators will represent -- as best they know how -- the interest of the residents of our state. Our purpose is to make clear to our political representatives, how we in truck transportation view the current problem of highway deterioration. We believe that dedication of highway use taxes (or a major portion of them) to highway projects will put a halt to more than three decades of diversion of funds that have brought havoc to our roads.

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