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SECOND PUBLIC HEARING

on

ASSEMBLY BILLS NO. 16 & 115 and SENATE BILL NO. 50
(Re RAPID TRANSIT)

before

ASSEMBLY COMMITTEE ON FEDERAL & INTERSTATE RELATIONS

and

ASSEMBLY COMMITTEE ON HIGHWAYS, TRANSPORTATION & PUBLIC UTILITIES

Held:

December 3, 1958
Assembly Chamber
State House
Trenton, New Jersey

MEMBERS OF COMMITTEES PRESENT:

Assemblyman Martin Kesselhaut (Chairman)
Assemblyman J. Edward Crabiel (Chairman)
Assemblyman Daniel F. Flynn
Assemblyman John M. Keegan
Assemblyman Raymond E. Bowkley
Assemblyman John J. Wilson
Assemblyman Leonard Ronco
Assemblyman Benjamin Franklin, III

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I N D E X

	<u>Page</u>
Frank J. Quinn, Secretary-Manager American Automobile Association Affiliated Clubs in New Jersey	1
Ross D. Netherton Legislative Counsel & Associate Director Highway & Legislative Department, AAA	20
Miss M. Elaine Woods Director, Public Relations North Jersey Automobile Club	40
Donald Tome	42
Ken Schultz	43
Charles E. Powers Leoniam, New Jersey	47
Richard Hughes, Counsel Associated Railroads of New Jersey	52
Earl T. Moore, President Central Railroad of New Jersey	7-A
Herman T. Stichman, Trustee Hudson & Manhattan Railroad	22-A
Rudolph Schroeder Chairman, Legislative Committee Hoboken Chamber of Commerce	49-A
Ben Schlossberg, Director Dept. of Industrial & Real Estate Development of Hudson County	68-A
James P. Birch Transit Committee of Bergen County	72-A
L. Alfred Jenny Dumont, New Jersey	76-A
Frank H. Simon, Executive Director Metropolitan Rapid Transit Commission	91-A
- - - - -	
Resolution, Borough of Highland Park Middlesex County, N.J.	108-A
Letter from Northwest Bergen Inter-Community Committee	109-A
Petition	110-A
Statement - Russell C. Heimert Manager, Keystone Automobile Club	111-A

ASSEMBLYMAN MARTIN KESSELHAUT (CHAIRMAN): May we commence our hearing. This is the second hearing devoted to a study of Assembly Bills Numbers 16 and 115 and Senate Bill Number 50, which deal with the metropolitan rapid transit problem. I will ask all those who have not as yet signed in, to please do so.

Our first speaker this morning will be Mr. Frank J. Quinn. We will ask you please as you speak to state your name, the organization that you represent and, if you have copies of your statements, please give them to us.

MR. FRANK J. QUINN: Mr. Chairman and members of the committee: I am Frank J. Quinn. I am Secretary-Manager of the AAA Automobile Club of Central New Jersey and Legislative-Chairman of the New Jersey Conference of AAA Automobile Clubs.

On behalf of more than 100,000 members of AAA-Affiliated Clubs in New Jersey and in the interests of all motorists in the State, the New Jersey Conference of AAA Automobile Clubs desires to record its vigorous opposition to Assembly Bill Number 16.

This bill would make the Port of New York Authority responsible for operating commuter railroads between New York and New Jersey and would, in effect, impose on the motorists the costly financial burden of subsidizing a transit system that is and would be operating at an alarming deficit.

It is obvious, of course, that the major income and the financial resources of the Port Authority are derived almost exclusively from the tolls paid by motorists on the facilities operated by the Authority. It would be both inequitable and unsound in terms of the future of essential motor vehicle transportation to transfer the cost of another form of transportation to the already heavily-charged motorist.

The extent and repetition of this problem in other areas have deeply concerned motorists throughout the country, and as a result, the American Automobile Association has enacted two policies that are pertinent to the present legislation and is on record as follows:

"AAA condemns as a diversion of motorists taxes, the use of tolls from a bridge or tunnel to finance another facility not serving a directly related highway purpose."

Also:

"The AAA is convinced that all special motor vehicle user taxes should be used for approved highway purposes and for these purposes only. In all enactments, 'approved highway purposes' should be restricted to its historical meaning and should apply solely to ways or highways open to use by vehicles, driven or ridden animals, and pedestrians. It should be defined to exclude all expenditures with reference to the right-of-way, tracks, elevated structures, subways, rolling stock, buildings and all other property of or used exclusively by mass transportation systems, either publicly or privately owned."

Motorists have long objected to and have felt the burden of underwriting other projects undertaken by the Port Authority over the years. They have believed, again both as a matter of fairness and sound economic practice, that when tolls have paid for a bridge or tunnel, the tolls should be removed and that the facilities be operated as toll-free.

The legislation before you would reduce to an impossibility, for generations to come, any chance of eliminating tolls.

On Monday, November 24, I attended the first session of your hearing, at which proponents of Assembly Bill 16 made their representations in its behalf. Frankly, members of our Association were shocked at the complete lack of awareness of the motorists' role in our state's economy and at the utter disregard of motorists' problems and interests. If one were to take their statements at face value, one could only view the motorist as some sort of parasite living off the taxes of other persons.

Actually, the exact opposite of this is the case. Today, it is the motorist who has become the tax target and scapegoat. Our state, sad to say, has the unfortunate distinction of being the worst in the United States in its record of diversion of highway user taxes. Of the sum \$150,000,000.00 that New Jersey motorists pay annually to the state, for what is hoped will be better and safer highways, approximately 37% goes for purposes unrelated to highways.

Let us take this so-called free ride that our motorist gets across the Hudson. First of all, if he is a commuter, he pays \$10. a month intolls for this privilege, tolls that he once hoped would be used to pay off the cost of the construction of these facilities. If he is not a commuter, he pays a toll of 50 cents a trip. But is this all he pays? Not by a longshot. The average motorist is paying some \$80. a year in gasoline taxes, alone, five-eighths of which goes to the State of New Jersey, three-eighths of which goes to the Federal Government. In addition, he pays a Federal excise tax of eight percent on the purchase price of his car and additional excise taxes on all parts and accessories. This and the Federal gas tax are the source of the money that

the Federal Government is using to finance the Federal Highway Program and the aid it gives to our State. Thus, it is the motorist who is paying for the interstate system of highways which will benefit all groups and persons in our state.

In addition, the motorist pays municipal parking fees, and a variety of other special costs that only he pays.

But much more important -- and I stress this point -- the motorist pays all other general taxes, the same as other citizens: real estate taxes, taxes on liquor, cigarettes, and all consumer tax costs.

In paying for the roads that are built, in financing the construction of bridges and tunnels, the motorist single-handedly has created and maintains the most efficient and effective transportation medium the world has ever known. The state would stagnate and wither over night if passenger cars were to cease operating, for they are the life blood of the state's economy.

Yet, no one ever suggests that business in general, or some other form of transportation, should underwrite the cost of highways or bridges.

It is even less logical or equitable that motorists should be called upon to finance other forms of transit or, in many instances, projects wholly unrelated to transportation.

That they are called upon to do so can be attributed in large part to tolls, themselves -- to the existence of a vicious practice that imposes double taxation upon the motorist and results in the accumulation of funds that too often become a temptation to other groups eager for easy money.

It has become fashionable these days to blame all the ills of our time on the motorist. If he tries to use his car to bring business to our merchants, we blame him for creating traffic congestion. When he saves up to buy the car our advertisers cajole him into purchasing, we threaten to legislate him off the road with all kinds of restrictions and bans. And when he ante's up and pays all of the taxes, tolls and special costs of car ownership, we act as if there is something immoral about it all -- and tell him that as a penalty, he'll have to write off someone else's losses.

If this trend continues, anti-motorist groups may well succeed in their purpose of discouraging persons from owning cars.

But, I wonder if they have seriously considered the consequence? Have they considered the business that would not be created, the hundreds of enterprises that would suffer because of reduced traffic and travel?

Assembly Bill No. 16 is pernicious and vicious legislation. It is concerned not with a transit system but a large part of our state's economy and the welfare of the people of our state.

The problem of mass transit is admittedly a serious one. It is one that must be solved.

But, we plead with you; do not try to solve it at the expense of the motorist or to take the easy, perhaps politically-popular expedient without earnest consideration of the full facts.

We are convinced that passage of Assembly Bill No. 16 would be disastrous to the future of vital automotive transportation between New Jersey and New York.

The legislation is obviously inequitable and unsound in principle, discriminates against motorists and violates sound planning and financial policy. For these reasons, we are vigorously opposed to its enactment.

CHAIRMAN KESSELHAUT: Thank you, Mr. Quinn. Any questions from members of the Committee? Mr. Bowkley.

ASSEMBLYMAN BOWKLEY: You directed your remarks to A-16. I would like to know for the record what your position is in A-115.

MR. QUINN: Our organization has not taken any position whatever on A-115 for the simple reason that as we read it now we cannot see that it affects the motorists, and that is what we are concerned about.

ASSEMBLYMAN CRABIEL: Mr. Quinn, you just made a statement that you couldn't see where A-115 affected the motorists, and in listening to your prepared testimony here, you keep talking about the motorist and the taxpayer as if they were two different people. As I understand it, there are some two million registered vehicles in New Jersey.

MR. QUINN: That's right.

ASSEMBLYMAN CRABIEL: I don't believe there are even two million taxpayers in New Jersey. Certainly the motorist is the taxpayer. Is that not correct?

MR. QUINN: Mr. Crabel, we don't believe that just because a man owns a car that he is in the same category as a real estate owner in any community. In other words, any individual that requires his car for business, which many, many people do today, if they are going to be taxed for the simple reason of using their

car more than somebody else or somebody who doesn't own a car, they are the ones who suffer from legislation like this.

DR. FLINK: Mr. Quinn, I should like to ask you a few questions because there seems to be some confusion, at least as I see it, in your testimony. You say the car owner is not a real estate owner and, therefore, a tax imposed on real estate would not touch the car owner. Are you aware of the fact that everyone pays the real estate tax?

MR. QUINN: Yes.

DR. FLINK: If he is a tenant, he pays it in the form of rent. If he is a storeowner, he pays it the form of rent. If he occupies the house, he pays it as a property owner. So where do you draw the line of demarcation, as Chairman Crabiel asked you, between the motorist and the taxpayer?

MR. QUINN: Well, there is a great distinction we feel in regard to— The individual who is a motorist is also paying every other tax that someone who is not a motorist is paying, but in addition because he has a car and operates it back and forth between North Jersey and New York, he is going to have to suffer from this more so than someone living in his own neighborhood that does not have a car.

DR. FLINK: Well, let's get this straight. Under New Jersey law, nobody can drive an automobile or practically own an automobile unless he is over seventeen years of age.

MR. QUINN: That's right.

DR. FLINK: The overwhelming majority of automobile owners are well over twenty years of age. As such, therefore, they must be taxpayers. There is no way out because they must occupy space

and as such, they pay taxes. So the only ones whom you could classify as being automobile taxpayers, but not property taxpayers, are those between seventeen and, say, twenty-one and twenty-two, who are not married and who do not contribute to the household.

MR. QUINN: Well, you are saying exactly what we are saying, Dr. Flink. We are saying that they are taxpayers.

DR. FLINK: Exactly.

MR. QUINN: But they are also taxpayers in addition because they own an automobile.

DR. FLINK: Sure.

MR. QUINN: Well, why should that be?

DR. FLINK: Well then, let me ask you the next question: You mentioned in your testimony the tax on cigarettes, on liquor and other consumer tax costs. Can you indicate to me where the cigarette taxpayer is benefited to one single point of his tax by state expenditures? At least, as you point out in the case of the tax on the motorist, the state rechannels 63 per cent, according to you, for the immediate benefit of the motorist; whereas in the case of the cigarette tax, the liquor tax, there is nothing that the state does for the liquor consumer or the cigarette smoker.

MR. QUINN: Well, Dr. Flink, I think you have to go back to the original reason for taxing the motorist when taxes originally started, and it was supposed to be for building highways and increasing the availability of transportation. Now, of course, the State of New Jersey, unfortunately, has gone so far off base in that respect of using the motorists' taxes for those facilities. When the motorist of New Jersey is contributing close to 50 per cent of the budget of the State of New Jersey, as a motorist, he

is doing more than his share.

DR. FLINK: Now, let's get the facts straight, Mr. Quinn. In the first place, according to you, the total is \$150,000,000. That includes also Federal tax, doesn't it?

MR. QUINN: That includes the tax; that's right.

DR. FLINK: Right. Now if you take three-eighths out of that, that leaves you with about \$100,000,000.

MR. QUINN: Well, of course, that whole \$150,000,000 is not gasoline tax.

DR. FLINK: I know.

MR. QUINN: That is registration, driver's license and everything else.

DR. FLINK: Sure, and the state budget is \$400,000,000. And you are aware of the fact that only a few days ago, Governor-elect Rockefeller of New York State proposed an additional two-cent tax in New York State which would not be used at all for state highways, but for the coverage of the state deficit. How then can you say that New Jersey diverts more than any other state? It isn't true.

MR. QUINN: Well, the Bureau of Public Roads, Dr. Flink, will back up my statement. Right in the Bureau of Public Roads report, the State of New Jersey diverts 36 per cent of the total revenue that the motorists contribute to the state economy. Now, that is Federal statistics right there. I am not quoting my own; I am using the Bureau of Public Roads'.

DR. FLINK: Now, what other states now?

MR. QUINN: Other states? Many states don't divert any. In other words, they have an anti-diversion law, which the State

of New Jersey does not have.

DR. FLINK: Well, I am asking about New York and Pennsylvania. Do you know that?

MR. QUINN: I have my book back here. I could get that for you.

DR. FLINK: Just one more question: How would Bill 16 or something like it impose the deficit of the transit system on the motorist?

MR. QUINN: Well, Dr. Flink, I sat through the hearing on November 24th here, when, I believe the Port Authority claimed that out of all of their income-producing facilities that they have - maybe the wharfs and airports are making some money - I don't believe they claimed they were making very much - but the toll facilities of the tunnels and the bridges were their greatest income-producing vehicles, plus the fact that we heard while we were sitting here the last time that it seemed to be quite obvious that the way that they would have to finance this deficit would be increasing the tolls on those facilities 50 per cent. So, therefore, the motorist is going to pay it.

DR. FLINK: Well, you are now taking the Port Authority's statement as reflecting the views of the sponsor of the bill. That isn't quite fair.

MR. QUINN: I am taking the view of what I heard here the other day. What else do I have to go by?

DR. FLINK: Did you hear here the other day also that it is conceivable for the transit deficit to be far less than \$12,000,000 and for the states, for example, to subsidize the deficit so that the motorist wouldn't have to pay a single nickel?

MR. QUINN: Well, if the motorists do not have to pay a single nickel, we would appreciate that very much.

DR. FLINK: Good. In other words, your opposition is based purely on the fact that you assume that the motorist would have to pay the bill, and, second, that the motorist would have to pay a 50 per cent increase?

MR. QUINN: We are only assuming from the testimony here at your previous hearing.

DR. FLINK: -- by the opponents to the bill. Are you also aware of the fact that if what the Port Authority claims is necessary, a 50 per cent increase in tolls, the actual increase in revenues would not be \$20,000,000, as the Port Authority claims, but \$34,000,000, and the deficit, according to the railroads, is less than \$12,000,000?

MR. QUINN: Well, Dr. Flink, I believe you will agree that there has been a great discrepancy as to what the deficit has been and what it will be.

DR. FLINK: But you made no allowance for the possibility that the figures that you use can be questioned - you have simply accepted the most pessimistic figures and placed them as the premise -- used them as the premise for definitive conclusions?

MR. QUINN: Well, isn't it definite right now that the railroads are operating at \$12,000,000 to \$20,000,000 deficit?

DR. FLINK: No, no, not at all. Not at all. In other words, what I am suggesting is that in your testimony, you certainly should have allowed for the fact that the figures that you used ---

MR. QUINN: I am quite sure this bill wouldn't be up, Doctor, if the railroads weren't operating at a deficit.

DR. FLINK: Well, a deficit and a \$20,000,000 deficit - there's world of difference and a \$34,000,000 increase in tolls is quite different from a \$20,000,000 increase in tolls. And let me just point out to you that if the tolls were raised merely on trucks, never mind buses - trucks, tractors and trailers, using the Port Authority's own proposed rate of increase, that in 1956 would have brought in six and a half million dollars more or one-half of the deficit projected by the experts of the Metropolitan Rapid Transit Commission. So we are dealing with quite different figures from those you used as the basis for your unqualified opposition.

MR. QUINN: The six million still does not make up the twelve million deficit.

DR. FLINK: No, six and a half.

MR. QUINN: Six and a half. Where would the other five and a half come from?

DR. FLINK: I would have made available to you a copy of my report if you had asked for it.

MR. QUINN: I have seen your report, Doctor.

ASSEMBLYMAN FRANKLIN: Mr. Quinn, I just have one question here I am not quite clear about. Assume for the moment that there would be no increase in the toll fare to the motorists using the Port Authority's facilities in the New York area. Do I gather from what you have said that if that were so, then the Automobile Associations would not be opposed to A-16?

MR. QUINN: As it stands at the present time, if the tolls were not increased, we would not be opposed to it as much as we have always been opposed to the Port Authority using income from tunnels and bridges to finance air lines and wharfs and ports and things

such as that.

ASSEMBLYMAN BOWKLEY: I would like to make two points, Mr. Quinn. Number one, assuming a man owns an automobile which today could conceivably cost \$5,000 and assuming that he owns no real estate, that man then, based on your figures, would approximately pay \$80 per year in gasoline taxes and he would have paid an excise tax when he purchased the vehicle and he would, of course, have paid his license fees of say fifteen dollars per year. So you have a total possibly of \$120 a year in taxes that that man would be paying. Now on the converse, you have a man who owns real estate, valued at \$5,000. He owns no vehicle. Using a nominal figure of ten dollars per hundred on a tax rate basis, he is paying \$500 per year taxes. So, using those two examples, don't you feel then that the motorist, taxwise, is carrying less of the state burden than the man who owns real property?

MR. QUINN: Well, no, I don't. In respect to what Dr. Flink said - he said that there are very few motorists possibly that aren't real estate tax payers. I feel that that is true too. Your case you were citing where one individual doesn't own any property, but does own an automobile, I feel in New Jersey or New York there would probably be a very, very small minority of people in that category. Stating the case that you did as a real estate owner and taxpayer in that example, yes, that doesn't sound fair, but still the majority of motorists, I would assume, in the State of New Jersey are also real estate owners or, if they are not, they are at least paying it in their rent and other facilities to house them.

ASSEMBLYMAN BOWKLEY: Yes, but here you are making a distinction between two classes of taxpayers. I don't think

under the circumstances you can draw such a clear distinction.

Do you feel that it is fair to say that the motorist, as a motorist, is in a separate category of taxpayers and these other men that own real estate are in their own separate category of taxpayers?

MR. QUINN: Well, keep in mind that the real estate taxpayer is not contributing, outside of what he contributes locally - if he is not using an automobile - is not contributing to the cost and the maintenance of highways and streets that bring people to his business or to his development. The motorist is paying or has been paying close to \$150,000,000, and he hasn't been getting anything such as that in return so that the real estate man, when you figure real estate taxes normally in a community, you are at least getting what everybody else in the community is getting for that same service in tax that you are paying; the motorist is not.

ASSEMBLYMAN BOWKLEY: Well then at the hearing of November 24th, I believe there was testimony which indicated that the tolls - these cross-river facilities - had not been increased for many, many years; whereas, we also had testimony that rail fares had increased appreciably. Do you feel that it is fair that the person using rail facilities should pay more proportionately of the cost of reaching his place of employment than the man who chooses to use his own automobile?

MR. QUINN: Well, the man that is using the rapid transit system to get back and forth is paying for a convenience that he has. Now, the motorist, in respect to the fact that there is a deficit on the rail transit system, why should he have to pay in addition to subsidize somebody else who is riding back and forth on the transit system which the motorist isn't using?

ASSEMBLYMAN BOWKLEY: Don't you feel that some of these deficits that these railroads have had to sustain have resulted from the increased use of motor vehicles in reaching their place of employment in New York?

MR. QUINN: Well, I think the automobile has been a definite factor for the expansion of many things in the northern part of the state as well as the rest of the state and I don't think we would have had the growth and suburban development and establishment of many of our shopping areas outside of the urban areas if it hadn't been for the availability of the automobile to get back and forth. You stop the use of the automobile and you would see how every one of those kinds of developments - well, they would wither away; they wouldn't have any customers who would be able to get to them.

ASSEMBLYMAN BOWKLEY: I know, but we are referring now to two different uses of the vehicle: one, the use for the personal business of the owners and the other use, of course, is a necessary use in some instances to reach his place of employment.

MR. QUINN: Well, doesn't an individual have the right to use whatever form of transportation he wishes to use, going back and forth from his home to his business?

ASSEMBLYMAN BOWKLEY: Oh, I am not denying that right, no. But I am just asking you whether or not it hasn't been an important factor in reducing travel?

MR. QUINN: Oh, definitely, it has, sure. But I also think that probably the airlines too have been a definite factor in the reduction of travel on the railroads. I don't think there is much doubt about that.

ASSEMBLYMAN BOWKLEY: Well, we are speaking now about

commuter traffic, that is, cross-river traffic. The airlines wouldn't have any effect on that.

MR. QUINN: No, they wouldn't, but how can you make a distinction between whether a man is traveling between North Jersey and New York City or a man traveling from Philadelphia to New York? He could be using the same rapid transit system, but he can also go by air or by car.

ASSEMBLYMAN BOWKLEY: Yes, but this committee is concerned at the moment with considering the method and means of getting people from New Jersey into New York to their place of work. We are not concerned with long distance commuting.

MR. QUINN: No, well, you are asking me: Is the deficit that has been created by the railroads a definite reflection on the use of the automobile? And I will say it is, yes. But why should the motorist have to defray that deficit? That is the thing that we can't justify.

ASSEMBLYMAN BOWKLEY: I have no further questions.

DR. FLINK: I should like to ask one short question, Mr. Quinn. On page 5 of your testimony you gratuitously label the bill number 16 and its sponsor, by implication, as "vicious legislation" and then you continue to say, "It is concerned not with a transit system but a large part of our state's economy and the welfare of the people of our state." Mr. Quinn, would you mind telling me under what philosophy of government and taxation a legislator should not be concerned with the state's economy and the welfare of the people of the state?

MR. QUINN: Well, the Legislature, Dr. Flink, should definitely. But I think that a legislator should also be concerned about any deficit they are trying to make up, as to what type of

group they should tax to get that money. Now why pick on one group? Why not tax all the lawyers or all the doctors?

DR. FLINK: Well, they are included as motor owners if it is necessary to tax them.

ASSEMBLYMAN FLYNN: Mr. Quinn, after hearing you talk, one would assume that a person who owned an automobile belonged to a society by themselves. Would you say that a person who owned a car was solely sufficient as far as travel is concerned, was independent and has never a need for local communication on our existing systems? Would you say that they could be abolished completely? Is that what you would have us believe?

MR. QUINN: You mean the rapid transit system be abolished completely?

ASSEMBLYMAN FLYNN: Yes.

MR. QUINN: No because in here we said that it is a very important phase of community life.

ASSEMBLYMAN FLYNN: Would you say that a car owner was a member of a community and therefore should take as much responsibility in a community as anyone else?

MR. QUINN: Yes.

ASSEMBLYMAN FLYNN: Thank you.

ASSEMBLYMAN CRABIEL: Mr. Quinn, one further question - I am perturbed about the continued insistence on your part that motorists are not taxpayers and you made a statement here before that real estate taxpayers seemed to pay the load with the motorists paying the load for highways. Now isn't it true that the local real estate tax, both on the county level and on the local municipal level, in all cases has a heavy budget for highway purposes?

MR. QUINN: On the local level, yes.

ASSEMBLYMAN CRABIEL: All local roads and all county roads, other than the small amount of state aid, are paid for by municipalities and counties and it is paid for by the real estate taxpayer. So the motorist is not paying this whole load.

MR. QUINN: Well, the amount of money that was transferred through the Highway Department to county highway departments last year I believe was in the vicinity of \$30,000,000 - something like that - that went through the Highway Department in allocation for street and highway building in the local community.

ASSEMBLYMAN CRABIEL: That's right. But how many millions of dollars were spent in excess of that by the counties and municipalities?

MR. QUINN: That I don't know.

ASSEMBLYMAN CRABIEL: And you are forgetting the cost of traffic protection in the municipalities. All of that is chargeable to highway work and is paid by the real estate taxpayers. So I come back again - I don't know of a broader base than two million vehicles and to continually insist that they are not taxpayers, that they are not real estate taxpayers or are not a broad-based and large-based group to pay any bill in the state, I cannot see your position.

MR. QUINN: I believe you misinterpreted what I said when you say that; I don't say that the motorist is not a taxpayer. He is a taxpayer of real estate of what he owns plus he is a taxpayer, having the privilege of operating his automobile. So he is being taxed twice for a person that doesn't have an automobile. I didn't say that he wasn't a taxpayer.

ASSEMBLYMAN RONCO: Mr. Quinn, your report deals fully with your opposition, your organization's opposition to A-16 and

yet you admit that the problem of mass transportation is a serious one and that it must be solved. Yet I don't see any recommendations in here or from what you have stated as to how to solve this problem. Has your organization given that any consideration - on how we can solve the problem?

MR. QUINN: Well, we wish that we had the know-how and the ability of you gentlemen to be able to do that. We don't have the answer to it, no, but we do feel that if it is something that is necessary to a community, somewhere along the line the people in that area should possibly be the ones who should finance it.

ASSEMBLYMAN RONCO: On behalf of the joint committee, I thank you for your complimentary remarks as to our know-how and ability. But let me ask you this: To be practical, don't you think that the people who are ultimately to assume this obligation, this grave responsibility, should definitely have know-how and ability and experience? You agree?

MR. QUINN: Yes.

ASSEMBLYMAN RONCO: And don't you think that the Port Authority is the best qualified body to assume this obligation, that they do possess the experience, the ability, the financial know-how, more so than we assemblymen or any other group in existence in New Jersey today?

MR. QUINN: Well, I don't believe that the Port Authority in the testimony here before had the answer to that question that you are stating right now.

ASSEMBLYMAN RONCO: Well, I am asking you, sir, what other qualified body or organization or group of men is more eminently qualified than the Port Authority to attempt to assume this

responsibility and to solve its problems?

MR. QUINN: Well, if you are going to have the Port Authority solve it, we just say the Port Authority should not finance it.

ASSEMBLYMAN RONCO: All right, thank you.

CHAIRMAN KESSELHAUT: Thank you, Mr. Quinn.

I would like to make part of the record now a resolution of the Mayor and Council of the Borough of Highland Park opposing Senate Bill 50.

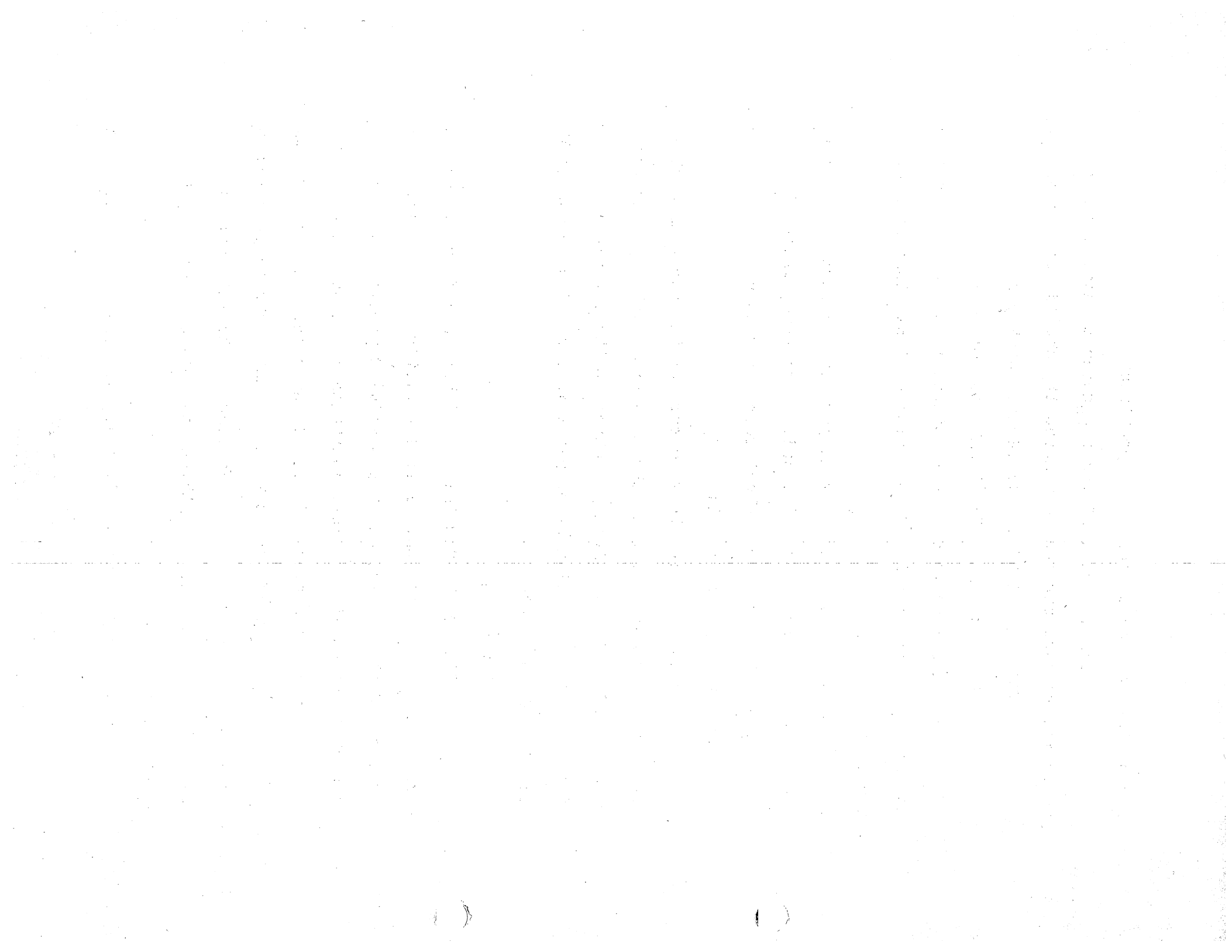
I would also like to make part of the record a letter from the Northwest Bergen Inter-Community Committee, which states that they represent eleven North-West Bergen commuting municipalities, favoring the adoption of A-115.

I would also like to make part of the record a number of petitions from homeowners in the City of Newark opposing the creation of a Bi-State Agency looking to the ultimate exercise of the power of taxation of property in Essex County and other counties of the state.

Mr. Netherton.

MR. ROSS D. NETHERTON: Mr. Chairman and gentlemen: My name is Ross D. Netherton. I am legislative counsel and associate director of the Highway and Legislative Department of the American Automobile Association. That is the National Headquarters of the Association in Washington, D. C. In deference to the committee's time, I am going to file a statement that has been prepared with you and, if I may, orally go over some of the main points that I would like to emphasize. I think that may cut down a little bit on the time.

Let me say first of all that two reasons motivate the



American Automobile Associations of the national organization in coming down here today, and we appreciate very much the opportunity that you have accorded us in being here. First of all, we intend to address our remarks to A-16 and we do so because it is a matter dealing with two sovereign states, it is inter-state in character and we think of great importance to motorists everywhere.

Second, A-16 raises certain broad issues, broad questions, which if they are embodied in legislation, we submit would involve gross injustice to motorists. I refer here to the trend toward using motor vehicle user revenue to support non-highway projects and this tendency has been showing an alarming growth in recent years.

The record of these hearings has established, and the questions you have just asked Mr. Quinn have also clarified the point that we are dealing here with, a rapid transit system which will have some deficit operation. How much I am not prepared to say and I don't wish to attempt to correct any figures that have been placed in the record, although I am familiar with the Port Authority's estimates and I have heard the questions here this morning clarifying that. But as a matter of the principle involved, I think it is significant here to recognize in the beginning we are dealing with a deficit-financing problem and the question to be decided in this legislation is where will the money come from to make up these deficits.

Now, the net effect of A-16, I submit, would be to load the cost of these deficits on the shoulders of the motorists paying tolls on the bridges and tunnels operated by the Port of New York Authority.

That the motorist certainly would be called upon to make up

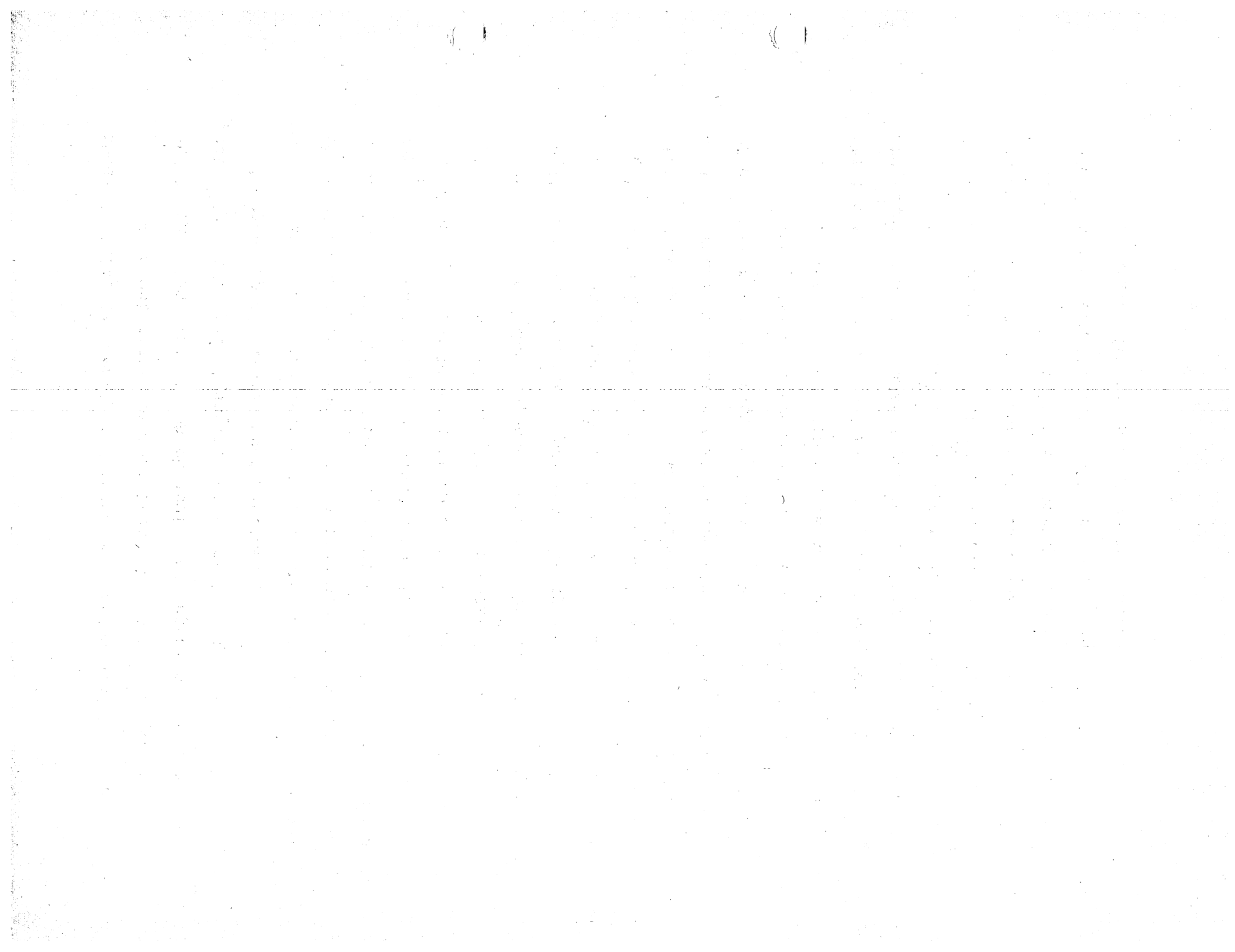
these deficits is clearly indicated by Section 5 of the bill.

As a motorists' organization, we are opposed to this bill and to any plan like it, which would call upon the motorist to subsidize rapid rail transit. We think this is a form of diversion, a mis-spending of highway-user revenues.

In some of the testimony presented before these committees at previous sessions, there were statements indicating that the motorists are getting a free ride in many respects, that their toll payment can justifiably be raised at will. I think the record should be set straight on that once and for all. The fact of the matter is that the motor vehicle owner today is being heavily taxed, moreso, I think, than any other category of citizens, the way that legislators and economists put the tax-paying public into categories for tax levying purposes. At the present time our total motor vehicle tax bill, and I am now talking about national figures - Federal, state and local taxes, is in the neighborhood of nine billion dollars annually. I cite that figure simply as an indication of how much our tax structure looks to the motor vehicle user.

There has also been reference in previous testimony to the Federal-aid program with the intimation that 90 per cent of the funds for the national highway program now being carried on are supplied by the Federal government largely as a free gift to motorists. Actually, not only the interstate program, but the regular Federal-aid system - and that is the state's primary, secondary and urban streets and roads - is now running close to one billion dollars a year and this comes entirely from revenues raised by Federal taxes from the motor vehicle owners and highway users.

I should like to make clear the AAA policy regarding

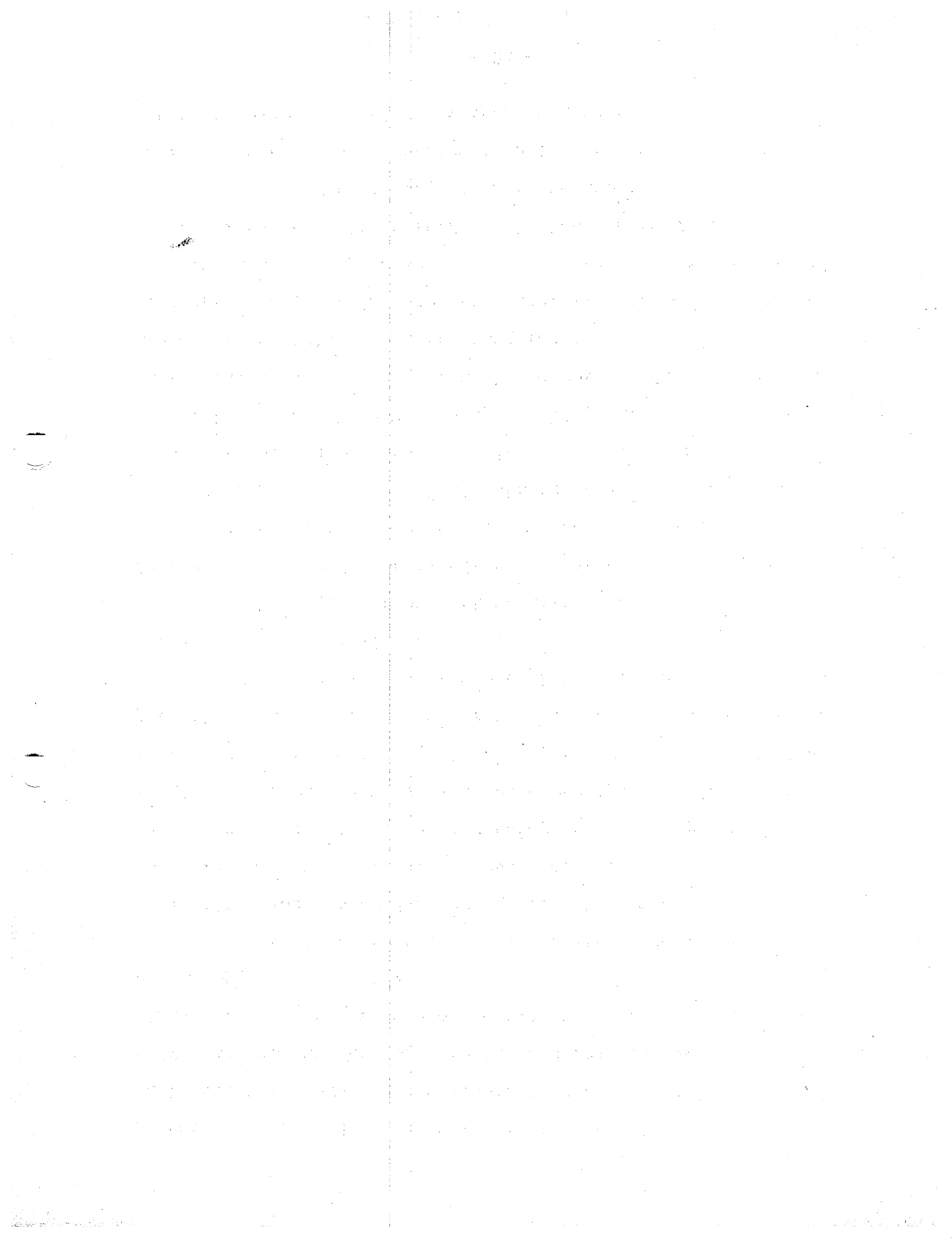


highway, bridge and tunnel toll facilities. It is our conviction that when the amount of money collected on any toll facility is sufficient to pay the cost of construction, operation and debt financing, the toll should be removed and the facility should become open to free travel.

We are strongly opposed to the use of tolls from highway facilities, such as bridges or tunnels, to finance other facilities not serving directly related highway purposes. And may I interject here, this, of course, is accomplished through this device familiar to public authorities and other agencies depending upon revenue bonds - the device of pooling the revenue from various profitable facilities to act as the pledge for the bonds that will pay for or bail out the unprofitable or financially not self-liquidating facilities.

We strongly oppose that practice. We know of no reason in equity or good financial planning that would justify a program compelling motorists to subsidize another form of transportation.

Mr. Quinn has dwelt on this point already and I would agree with him on what he has said. I would go one step further and footnote what he has said by pointing out to you that to charge any great development with the cost of dislocations that may occur in certain industries as the result of the forward march of progress is, I think, an absurdity. It was never argued that the motorists, for example, back in the early days should be taxed for the loss of business suffered by the manufacturers of buggy whips. It is not today argued that the users of television should make up for the loss of business that is being suffered by the motion picture industry. Why then look to the motorists and treat



him as a scapegoat to pay for deficits which are arising from the mass transit systems?

At the present time, the apparent reason for this point of view, I suggest, is that the great majority of motorists crossing the river from New Jersey into New York have no alternative except to go through the toll gates. The alternative, of course, is to change their residence. But that I think is too far fetched. And because they are captives of this profitable monopoly of river crossings, the architects of A-16 have a very expedient and practical easy way to collect this revenue. I do not think that expediency necessarily jibes with good, sound policy on something like this. Indeed, I submit to you that this amounts to nothing less than toll-gate tyranny.

In summary, I would say that the American Automobile Association is opposed to A-16 or to any other plan which would in effect have the motorist subsidize mass rail transit facilities with monies raised from tolls on highway facilities. It is our view that to pursue such a course is in principle rank injustice toward the highway users, and especially toward the passenger car user who numerically certainly constitutes the great bulk of the highway-user class.

We recognize, of course, that the problems facing your committee because of the dilemma that has faced and is facing the rail transportation companies operating into New York are very difficult ones. I am not here to suggest any panacea or any easy way out. I am here as I said in the beginning to oppose the philosophy embodied in A-16 and to urge you in searching for a solution that you avoid what I suggest is an unjust and unconscionable

expedient of using the motor vehicle owner to underwrite these subsidies through tolls.

We are convinced that the method embodied now in A-16 is unjust and inequitable and ask you to oppose it or reject it as a solution to this problem. Thank you, Mr. Chairman.

CHAIRMAN KESSELHAUT: Mr. Netherton, I have a question. Your summary, I think, states your position very well, that you are opposed to a plan which would have the effect of subsidizing mass rail transit with monies raised from toll charges on highway users. Now, you say don't pick on the motorists as a class to subsidize this deficit. Assuming there is a deficit, the motorist still is a citizen of the state. Does your group favor the payment of this deficit out of the state treasury by taxing all of the citizens of the state, of which the motorist, of course, is one?

MR. NETHERTON: Well, on that question I think that I would answer it the same way that Mr. Quinn has. I would agree with what he has said and what he has recommended there. I would only add one thing, and I think that you have said something very significant when you have called attention to the fact that the motorist is a citizen of the state. What is being done here in A-16 is unjust for another reason that has not yet been brought out. The levies on the motorists that are contemplated in A-16 are not taxes in the usual sense that we speak of, levies agreed upon and determined by the Legislature after a full investigation and by a body which is responsible to the people. This is a bill which would raise the money through tolls paid to the holder of what I called a moment ago a profitable monopoly of river crossings, key highway facilities, and particularly one who is singularly

insulated from any direct responsibility to the public, the taxpayer. I think that this principle must be kept in mind because, if the motorist is a citizen and if his interest is being directly dealt with, with respect to matters and problems which are deficit operations, then all the more reason why the decisions on policy with respect to what shall and what shall not be done in putting this mass rail transit back on the kind of basis that is wanted should be handled by a body directly responsible to the citizens. This is not possible when you turn it over to an area development authority such as the Port of New York. Efficient and impressive as the record of the Port of New York Authority is, it cannot escape from that built-in, inherent characteristic. It has been insulated by the Legislature of New Jersey and the Legislature of New York from direct responsibility to the public and this is a tremendously important thing, I think, when you are dealing with operations such as you are talking about now that do have tough decisions to be made in terms of using the taxpayer's money.

CHAIRMAN KESSELHAUT: Mr. Netherton, let's eliminate from our consideration for the moment the Port Authority or any other agency that we have before us. Let us assume that we have an agency operating this rapid transit system directly responsible to the people in some form. Does your group - first, you don't want to tax the motorist for the subsidy. What I am asking you now is: Would the motorist - after all, you have two million of them in the state who are also citizens - how would he feel about the state paying the subsidy; that is, if we have a \$400,000,000 budget now and the deficit is, we will say, \$12,000,000 - that is the figure that has been mentioned - we have a \$412,000,000 budget and we pay the subsidy in that regard and the motorist pays it

not as a motorist, but as a citizen of the state?

MR. NETHERTON: Well, I hate to tackle that question because it deals not with the proposition that is before the House here in A-16. It deals with a number of "if" factors that you have put in there and I would certainly like to think about it and have before me, as I did, something more specific in terms of how the legislator would set up a tax structure that would fairly reflect what was determined to be the motorist's share of this or, let me put it in another way, what would be the proper proportion of the revenue necessary to meet these deficits to raise through this particular type of taxation. I think a lot of factors go in there which only you, who are familiar with the New Jersey structure can evaluate, and some of them go to the point of determining whether or not this form of taxation is more equitable than another. Particularly here, you are talking about real estate versus the direct levy from the gasoline tax.

CHAIRMAN KESSELHAUT: Well, do you say this - "Don't tax me as a motorist and don't tax me as a citizen" or can you say "Don tax me as a motorist but tax me as a citizen" so that everybody pays the same share?

MR. NETHERTON: I think, sir, with all due respects to the significance of the question you have asked, and it does come to the heart of matter - I recognize - that has got to be answered in terms of your over-all tax policy for the state. If in the State of New Jersey, it is more equitable to you to reach the taxpayer and to stress the cost of this particular public purpose, if indeed you decide it is a public purpose to bail out this rapid transit system, then I think the basic question of policy is what group is equitably the one you should reach and the choice of taxes will be

determined by that question. And that brings me back again to the principle that I hope that I made clear here. As a matter of principle, as a matter of tax policy, as a matter of determining where you put the load for financing this public purpose, I suggest to you that it is not something you can attribute to the motor vehicle user, no more, as I said, than you can think of taxing the television user to take care of the hardship that the motion picture theaters are complaining about.

CHAIRMAN KESSELHAUT: Thank you, Mr. Netherton. Any other questions?

ASSEMBLYMAN BOWKLEY: Mr. Netherton, does your group purport to speak for the bus and truck interests as well as the private passenger motorist?

MR. NETHERTON: No, sir, we do not. The private car owner or the passenger car owner.

ASSEMBLYMAN BOWKLEY: But the figures that you have used in your presentation reflect the highway user taxes paid by commercial vehicles and bus operators as well as the private passenger operator?

MR. NETHERTON: That is correct. The national figure of nine billion dollars annually is one which is made up of passenger car users, mainly paying through the gasoline tax, and the bus and truck operators.

ASSEMBLYMAN BOWKLEY: Then you are aware of the fact that the Port of New York Authority has provided facilities to handle other than passenger traffic only?

MR. NETHERTON: I am aware of that, yes.

ASSEMBLYMAN BOWKLEY: And they have also provided facilities such as the bus terminal in New York, the truck terminal in Newark,

and the parking facilities near the Lincoln Tunnel, facilities for other than passenger vehicle operators, and according to the testimony before this committee, that these facilities have been losing money or barely breaking even. Since you are using figures based on the automobile user as a group rather than passenger vehicle operators, is it then your position that the passenger vehicle operator should not pay his fair share of the cost of maintaining these other facilities?

MR. NETHERTON: I used the nine billion dollar figure to footnote and dramatize the fact that already there is, and we have been seeing increase the last few years, a tendency more and more to look to this particular form of taxation, namely, a direct levy on something that the motor vehicle user has to use - gasoline, tires and so on. I do not purport to speak for the position of the truckers or the bus operators on this point and I would be glad to acknowledge that that figure, if it is going to be pertinent here in determining the financial load that is involved, would have to be refined somewhat. But, with respect to the matter of what the Port Authority has done in New York and what port authorities generally in other parts of the country have and are doing with respect to furnishing non-highway facilities, I can tell you that I think that is definitely undesirable from the standpoint of the motorist. I oppose it personally. The organization that I represent has a policy on this which Mr. Quinn quoted to you. It comes back again to what I was mentioning to the Chairman that this business of pooling the revenues of the profitable facilities to extend and reach out and diversify the activities of the area development authority is a form of diversion that I think is often

done unwisely. And I don't want to get into documenting that by attempting to pass judgment on any particular facility of the Port of New York Authority or any other. But as a general statement, I think that it has been documented that this type of operation is an extremely risky one from the standpoint of good public policy simply because the question of whether we reach out and take this, that or some other activity or function, which may have a public appeal, is a decision that should be kept close to the electorate, close to the people who are directly going to pay the bill. And a port authority is not set up to do that. They are insulated, as I said a minute ago.

ASSEMBLYMAN BOWKLEY: Well, don't you feel, Mr. Netherton - let's just take the specific example - the construction of the dock area in Port Newark - has benefited greatly the Newark area and has provided means of employment and methods of employment for people who normally would not have that employment?

MR. NETHERTON: That may be. Yet it does not, I think, answer the question that we are really grappling with today, namely, should the users of the bridges and tunnels be the ones to finance that if, indeed, that activity can't stand on its own feet and I assume that it can't because it had to be worked in the way you have just described, namely, through the Port Authority pooling the revenues of the bridges and tunnels, some of which are now paid for several times over as far as their own construction costs go.

ASSEMBLYMAN BOWKLEY: Could you tell this committee the approximate membership of your organization in our state, in New Jersey?

MR. NETHERTON: Let me see, that is mentioned in the statement here as 600,000 members in the States of New Jersey and New York so that we are dealing here with the two states - 600,000 members in these two states. I would have to ask Mr. Quinn to give you the figures on New Jersey.

ASSEMBLYMAN BOWKLEY: Well, let us use the figures in the States of New York and New Jersey. Do you know what proportion of that 600,000 avail themselves of the facilities, these under and over water crossings? Have any studies been made by your group to ascertain how many people would be affected among your membership?

MR. NETHERTON: I can't say as to that. I would suggest that you ask that question of some of the other witnesses who will follow and who do represent the motor clubs in New Jersey and there is one gentleman here who is familiar with the New York situation on that, Mr. Powers.

ASSEMBLYMAN BOWKLEY: But in your statements to the committee you have indicated that this additional toll would affect a substantial number of people and by "substantial" I mean percentagewise, a substantial number of people. Is that correct?

MR. NETHERTON: I think that is quite obvious from the mere fact of the volume of traffic that uses those highway crossings.

ASSEMBLYMAN BOWKLEY: Do you know or have any studies been made by your group to indicate what percentage of the passenger vehicles using the facilities are, you might say, interstate commuting vehicle owners? They use the facilities to go to and from their place of employment.

MR. NETHERTON: I don't have those figures. I think I can get them for you though if the committee would ---

ASSEMBLYMAN BOWKLEY: Well, would it not be safe to assume that since your membership covers the entire State of New Jersey, the number of motorists belonging to your group that use the facilities would necessarily be those in the metropolitan area that commute to and from New York City?

MR. NETHERTON: Certainly a large number would be. However, bearing in mind the corridor character of New Jersey and the type of traffic that moves in and out of New York from other parts of the country, I could on the other hand say that no doubt there is a sizeable number of AAA from all parts of the country who have to use these facilities and who accordingly would be affected by this legislation, if enacted.

ASSEMBLYMAN BOWKLEY: So that your view is not only members of your group who reside in New Jersey, but members from the entire forty-eight states would be affected by this increase in toll fares if such an increase came about?

MR. NETHERTON: That is quite right and from our point of view this is an extremely significant piece of legislation because of the precedent that it may establish, if enacted, for other area development authorities. What you are doing here and the decisions that you are weighing here may have nationwide influence as the years go on.

ASSEMBLYMAN BOWKLEY: Well, then these out of state people generally are the transient users of these facilities? They use it for pleasure purposes occasionally and for business purposes.

MR. NETHERTON: Well, business and recreation are the two main purposes of travel away from home and, therefore, I think you could say that those would be the purposes of the interstate users

of these facilities.

ASSEMBLYMAN BOWKLEY: Well, then do you not feel that if an integrated rapid transit system were developed which would relieve some of the load on these facilities, these other people would be benefited by having less traffic congestion and being able to pass more freely from place to place, especially through these toll facilities?

MR. NETHERTON: Without knowing just how much - what the estimates are for how much relief from congestion there would be - I would not want to say. I would not want to go out now and unfairly say it would be only a drop in the bucket and yet that would be my personal first impression, that it would not really appreciably reduce the congestion.

ASSEMBLYMAN BOWKLEY: You are aware of the fact that this committee is concerned and has concerned itself with the problems growing out of the interstate movement of traffic by rail and by motor vehicle for so-called commuting purposes, getting from their home to their place of employment, and that is the problem which confronts this committee?

MR. NETHERTON: Yes, sir.

ASSEMBLYMAN BOWKLEY: So that proportionately the number of members of your group that would be affected on a statewide basis would be fairly small in number percentagewise?

MR. NETHERTON: I don't know as to that. I would have to rely on people here today from New York and New Jersey to give you a more accurate answer.

ASSEMBLYMAN BOWKLEY: Certainly, the man who lives in Cape May County, a motor vehicle owner and a member of your group, or a

man who might live in Atlantic County would be an occasional user possibly of the facilities, but not a regular user of the facilities. I mean, it would be safe to assume that.

MR. NETHERTON: Perhaps not a daily user, no. But New Jersey is a small state and it is customary I know in this area to move back and forth within the region fairly frequently. Here again I think we are dealing with a word, when we say "occasional", that is pretty hard to pin down and I don't know what significance it would have in terms of affecting this question.

ASSEMBLYMAN BOWKLEY: I have no further questions.

DR. FLINK: Mr. Netherton, I should like to ask you a few questions. You have mentioned the fact that New Jersey has about two million automobile owners, is that right?

MR. NETHERTON: I did not mention it; I will accept that thought on your statement.

DR. FLINK: Are you aware of the fact that the number of commuters who use an automobile for the purpose of using the Port Authority facilities is less than 30,000 a day, which would be one and one-half per cent of the total automobile-owning population of New Jersey? These are Port Authority figures. In the year 1956 on the average 28,000 commuters traveled between New Jersey and New York. That includes also New Yorkers. Now that is about one and one-half per cent of the total, isn't it?

MR. NETHERTON: The total motor vehicle population of New Jersey?

DR. FLINK: --was given as two million by Mr. Quinn.

MR. NETHERTON: Yes.

DR. FLINK: 28,000 in round figures - give or take a few hundred - is the number of people who are regular commuters

on the Port Authority crossings between New Jersey and New York. That would be one and one-half per cent.

MR. NETHERTON: Yes.

DR. FLINK: In other words, the number of people who are actually involved percentagewise is relatively insignificant.

MR. NETHERTON: These would be the people who would be --

DR. FLINK: -- commute.

MR. NETHERTON: (Continuing) -- as commuters looked to to make up any deficits that were involved.

DR. FLINK: -- if there be any.

MR. NETHERTON: -- if there be any deficits, yes.

DR. FLINK: That is the total amount that is involved.

Others for practical purposes could be identified by and large as pleasure drivers, recreational drivers, not commuters; is that correct?

MR. NETHERTON: Well, as you define "commuter" as a daily user, yes, that is quite right. But "pleasure drivers" is a label that is not descriptive --

DR. FLINK: We are talking about commuters now, Mr. Netherton.

MR. NETHERTON: We are talking about commuters and all other users.

DR. FLINK: Right. Now then on page 4 of your testimony in the second paragraph you state categorically: "...the great majority of motorists using the Hudson River crossing have no alternative to the paying of tolls except to change their place of residence or their place of work." Now one and one-half per cent obviously is not the great majority of two million automobile owners.

Would you concede that?

MR. NETHERTON: As I said here, the great majority of users of the Hudson River crossing.

DR. FLINK: They are not, again, according to figures supplied by the Port Authority, because you had 44 million crossings at fifty cents which would not be commuters during the year. In other words, under the most favorable conditions, the commuters would be no more than approximately 15 per cent of the number of automobile owners who use the crossing. And 15 per cent by no stretch of the imagination could be called a great majority. Would you agree on that?

MR. NETHERTON: Before I agree to it, I would want to know how a commuter was identified. If he is identified as one who buys a commuter ticket --

DR. FLINK: Forty trips for ten dollars.

MR. NETHERTON: (Continuing) -- that is something that I think is a pretty slippery mat to stand on because would you, for example, agree that all commuters use commuter tickets?

DR. FLINK: Sure.

MR. NETHERTON: I don't think so.

DR. FLINK: Anyone who would travel every day and pay fifty cents rather than twenty-five ought to have his head examined.

MR. NETHERTON: Yet I dare say many do.

DR. FLINK: And I would not assume that the majority of New Jerseyites or New Yorkers would be that foolish to pay fifty cents for each crossing every day when they only have to pay twenty-five cents. That certainly wouldn't make any sense. And if I throw in all those who buy twenty-five trips for ten dollars, I still can't get more than about 16 per cent of all automobile

owners at the outset.

MR. NETHERTON: Well, I don't ---

DR. FLINK: O.K. Let's go to another point then.

MR. NETHERTON: No, let me make my position clear on this because you have asked a question and I think I would have to answer it in this way: I don't suppose that we would agree on how we identify this class of people that we are talking about, these people who would be looked to to shoulder the cost of any deficit. You would be willing to say that we are only dealing with those who buy commuter tickets. I don't think we can.

DR. FLINK: Not at all. I just want to get the facts straight because there has been a good deal of confusion, at least, as far as I can see, in the testimony by Mr. Quinn and yourself as to the relative magnitude of the commuters. I am not for one single moment suggesting that the commuter bear the burden. At no time did I ever suggest that the rate be raised nor did any member of the committee make such statement. That was made by the Port Authority and has now become the basis for a series of arguments.

Now, I would like to ask you specifically ---

MR. NETHERTON: Well, I think we would have to have a little more discussion to agree on just who is the commuter in this case before we could go ahead with that question.

DR. FLINK: Now, specifically, on page two you quote Section 5 of the so-called Musto Bill, which is A-16. I have read this bill before and I have read it many times and I have read the excerpts from your testimony. Nowhere do I find any specific or implied statement or even reference to the tolls or an increase in tolls. All it says is that the revenues of the Port Authority facilities, etc., "may be pledged in whole or in part...as security for or

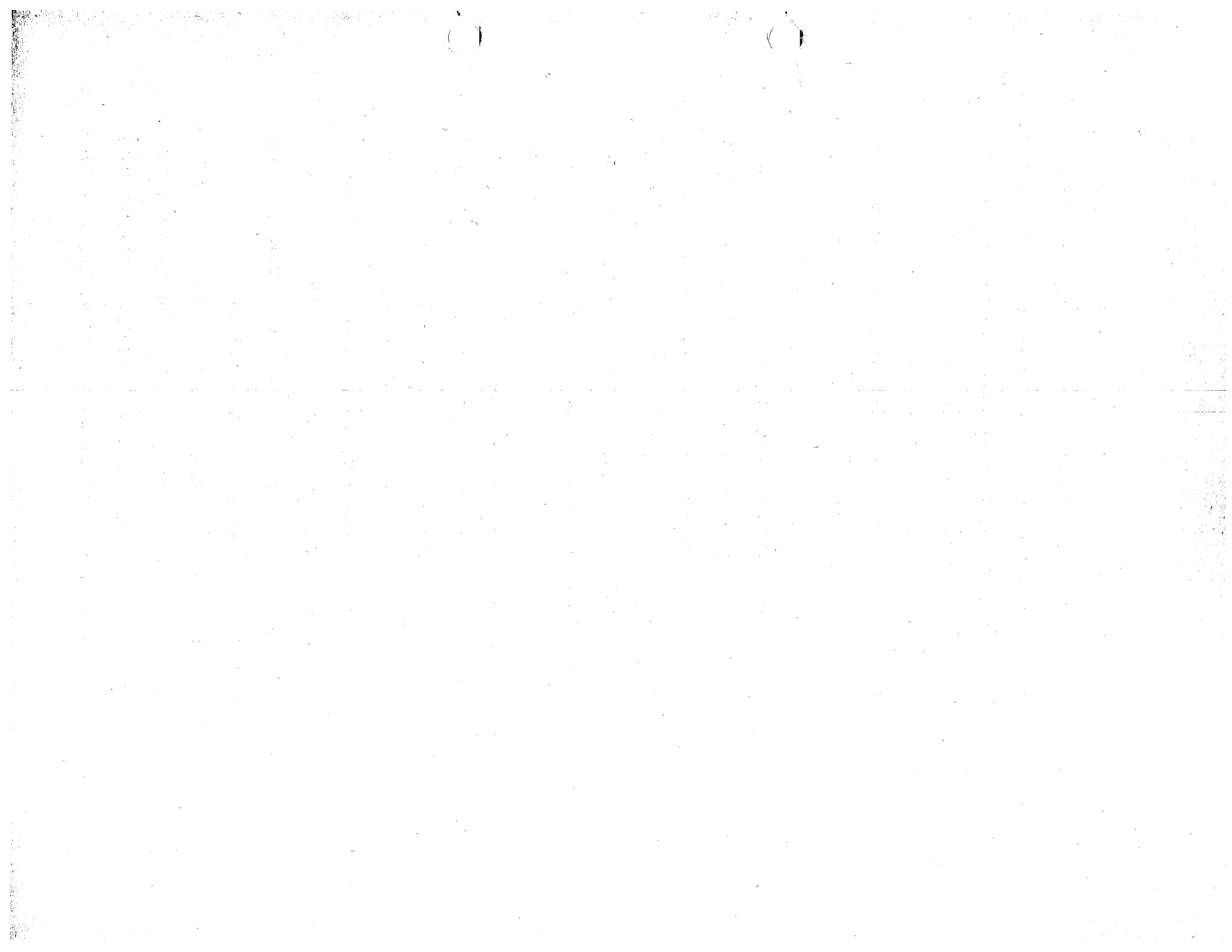
applied by it to the repayment..." Nowhere does it say that the Port Authority should raise the rate or should raise it by twenty-five cents or any figure. Where do you find any specific or implied reference to an increase in tolls in this Section 5 that you quote?

MR. NETHERTON: Your reading of the section is correct. The statement I made was based on what I regarded as realism, namely, that the bridge and tunnel crossings are the only ones turning out a revenue yield that could be regarded as a surplus, hence could be used for this deficit financing.

DR. FLINK: Fine, Mr. Netherton, now let me pick you up right then and there. All you say is that the revenues produce a surplus. Are you familiar with the magnitude of this surplus in 1957?

MR. NETHERTON: I have not had an opportunity to read the Port Authority's report for 1957. I am familiar with previous years. I have tried to follow it rather carefully and I made my statement because my reading of the history of the Port Authority is that the bridge and tunnel facilities have been the ones that have been turning out the surplus which has enabled them to fan out their operation and diversify it into these dock and terminal facilities that have been mentioned this morning. This would have to be the future reading of the thing too because these are the only facilities where it is in the cards to have a surplus.

DR. FLINK: Suppose that I told you that in 1957 the net revenues of the Port Authority, after debt service, were \$34,000,000. A good deal of it was used to pay up short-term notes for long-term investments, but they are treated, at least, by every self-respecting analyst as part of the profits - \$34,000,000. Now the Port



Authority has testified a week ago Monday that the new project will within a period of time become self-supporting - many of them by 1963 - 1964. If and when they become self-supporting, obviously the \$34,000,000 will again be available plus whatever surplus those new facilities will produce. Under these conditions, assuming these facts to be correct, Mr. Netherton, why do you infer it would be necessary under Section 5 as you read it to increase the tolls?

MR. NETHERTON: First of all, I would have to say that I recognize those figures regarding the surplus and regarding the accountant's treatment of this as a form of profit, but I would also have to say that I am impressed by the Port Authority's own explanation of how much they can do with this figure of profits. I do not attempt to pass judgment on them; if they say, as I think they do make out a case for saying that this is not a fair comparison, simply to say \$400,000,000 worth of profits and stack it up against whatever figure is anticipated for the deficit here, then I would be willing to be impressed by that.

The second point I want to make is that even if there is a prospect in the near future, and let's say that 1963 is the near future, of becoming self-sustaining in this operation, I would still challenge the legislation, first of all because this is speculative. We don't know it. It is said it may, but it is not necessarily in the cards that it will be self-supporting. And the second thing is, even if it is to be assumed that this will happen, you have a period here for the time up until this does happen, you are doing something which is, I suggest, in principle wrong.

DR. FLINK: If the Musto Bill suggests an increase in tolls and the legislation, if and when adopted, provides for an increase

in tolls?

MR. NETHERTON: Even if it does not provide for an increase in tolls.

DR. FLINK: Then you are proposing that the Legislature ---

MR. NETHERTON: I still think that it is unwise and unsound to work this thing out in the way that it has been suggested here, through a Port Authority operation depending upon tolls to finance the deficit.

DR. FLINK: If it is not done, how will the motorist benefit? In other words, up to the present time --

MR. NETHERTON: I would say, sir, he would be no worse off than he is now.

DR. FLINK: Exactly. That is exactly what I wanted to hear.

MR. NETHERTON: I imply by that, that I do not necessarily see eye to eye with what the Port Authority has done. I still stick to the principle I tried to impress earlier that there is grave risk in looking to area development authorities as the devices for working out many of these problems which do have shaky financial futures and which do involve very tough decisions of public policy and public interests and I think that is what is involved here, gentlemen.

CHAIRMAN KESSELHAUT: Thank you, Mr. Netherton. Miss Woods.

MISS M. ELAINE WOODS: My name is Elaine Woods, Director of Public Relations for the North Jersey Automobile Club, an affiliate of the AAA, in Paterson, New Jersey.

I am here in behalf of my Club's 33,000 members to protest strongly against Assembly Bill Number 16 which advocates that the Port of New York Authority take over operation of the New York - New Jersey commuting railroad lines.

It is unfair and unsound to force the motorist to pay the bill of such a deficit operation. If the motorist is to subsidize the railroads - it would be just as logical to argue that they subsidize air transport, shipping, or for that matter, elevators in office buildings because they, too, transport people.

This is, of course, ridiculous and so is the proposal that our members from Passaic, Bergen and Hudson Counties who are all heavy users of the New York - New Jersey bridges and tunnels, be asked to pay higher tolls to subsidize rapid transit facilities when they are already paying their fair share of resident taxes, plus high motor vehicle and gasoline taxes. Therefore, we urge that A-16 be defeated.

CHAIRMAN KESSELHAUT: Thank you, Miss Woods. Any questions?

ASSEMBLYMAN BOWKLEY: Miss Woods, could you tell me what percentage, if you know, of the 33,000 members actually use these facilities for commuting purposes?

MISS WOODS: Actually we have never taken any survey. I could only hazard a good guess. Inasmuch as North Jersey, the Paterson area, Passaic and Bergen Counties are largely suburban in characteristic, many of our people commute and I would hazard a guess that a good 50 per cent of our membership commute daily.

ASSEMBLYMAN BOWKLEY: Approximately 15,000 of your 33,000 members.

MISS WOODS: I would say, yes, and probably that is a rather a low figure considering our location.

ASSEMBLYMAN BOWKLEY: Now in your statement you say that it is ridiculous to expect that the motorists subsidize air transport, shipping, and other forms of transportation. Are you aware of the

fact that the motorists as general taxpayers at the present time do subsidize those facilities, that the shipping interests are being subsidized by Federal grant, that airline interests are being subsidized by Federal grant?

MISS WOODS: Well, actually, I don't have personal knowledge of the facts that you have just stated. If it is true that we do have Federal subsidy and that these people are paying Federal taxes, then I would assume that that is correct.

ASSEMBLYMAN BOWKLEY: These forms of transportation are not local in nature, are they? I mean air transport and shipping are not local operations. They are national and international operations.

MISS WOODS: That is true.

ASSEMBLYMAN BOWKLEY: And is it your thoughts that the state should subsidize the interchange of passenger traffic between the States of New York and Pennsylvania, especially commuting traffic?

MISS WOODS: Actually, I think our previous speakers have answered this question and I have nothing to add to that.

ASSEMBLYMAN BOWKLEY: You mean your group has taken no position in respect to that?

MISS WOODS: That is correct.

ASSEMBLYMAN BOWKLEY: Thank you.

CHAIRMAN KESSELHAUT: Thank you, Miss Woods. Mr. Donald Tome.

MR. DONALD TOME: Gentlemen, I am Donald Tome and I reside in this area. I am not here to dispute the solution or the pros and cons of this bill except to express to you fellows that I am the motorist and I want you to know that I am the motorist and I am

speaking as a motorist. I use my car considerably and I use it to travel to North Jersey and to New York. I pay considerable amounts of money for gasoline taxes, for road taxes and for going through the tunnels and using the Port Authority means of transportation. I cannot appreciate my having to pay an additional, and I say an additional 25 cents - I don't know what it is going to be and none of you does either at this time - but I feel I pay my fair share to travel from here to New York. It costs money to go on the Turnpikes; it costs money to go through the tunnel; and it costs money in New York to park. Any additional amounts of money that I have to pay out, I will feel and I want you to know that I cannot appreciate having to pay extra money to the Port Authority to use to subsidize another means of transportation that I do not use.

Assembly Bill 16 would certainly impose an additional tax upon me and I just don't feel I should have to pay it now, as long as the Port Authority is operating in the black and the moneys are available for improvement and possibly, God forbid, that they have money to take care of disasters in the future, but not to have the moneys to be used for other means of transportation.

Thank you very much. I will be glad to answer any questions.

CHAIRMAN KESSELHAUT: Thank you, Mr. Tome. No questions.
Mr. Schultz.

MR. KEN SCHULTZ: Gentlemen, I am Ken Schultz from Morris County, New Jersey. I would like to pull a switch. When I signed in this morning, I signed in as General Manager of the New Jersey Automobile Club. I would like that scratched. From what I have heard this morning, I would like to talk to you as Ken Schultz, born in New Jersey, paying taxes and working here for 31 years -

that's 31 years of employment; I am a little bit older than that - and I hope that some of the things that I say might bring a smile to some people's faces. But I feel that I can add more to the situation this morning by telling you how Ken Schultz, taxpayer, feels about this thing. Any objection to my changing my category?

I lived in Essex County - no offense to the gentleman from Essex County - for many, many years. I paid heavy taxes. I was taxed out of Essex County. I moved to Morris County where I am very happy with the tax rate for the piece of land that I own and the home that I own. But I am fed up, gentlemen, with the way my gasoline tax money has been spent in the past and I hate to see gasoline taxes and I hate to see additional toll taxes used as greater diverted items. Now you might say, "Why what diverted items?" I am thinking of the \$500,000,000 which your predecessors over a period of years since 1927 have had to divert because we in New Jersey did not have the proper tax structure. Now I feel that it is high time that the men that I and my taxpayer citizens around the state send here to Trenton scrap the present tax structure of New Jersey and give us one of equity for every taxpayer and every wage earner and, for goodness sake, leave the motorist alone. Any questions?

ASSEMBLYMAN BOWKLEY: Yes, I have a question. You have indicated that you are in favor of a broader-based tax structure.

MR. SCHULTZ: I certainly am.

ASSEMBLYMAN BOWKLEY: Are you in a position to make any recommendations to this committee as to what type of tax you feel we should adopt?

MR. SCHULTZ: Gentlemen, I am no economist; I am a mechanic since 1921. I have been representing motorists since 1925 when I



went to work for the AAA and I proudly wear it wherever I go. Maybe I represent some of you folks. Maybe I have towed your cars in off the road once in a while. But I want to tell you this, that as a student, as a resident, as a taxpayer of New Jersey, I elect to live in this state. I am willing to accept my share as a land owner of the expenses to run this state. But don't single me out because I own an automobile.

ASSEMBLYMAN BOWKLEY: Then, you individually are not in any position to make any recommendation what sort of tax we should consider?

MR. SCHULTZ: I would like to offer this and I haven't given it too much previous thought to state here, so if I stumble a little bit, bear with me. I do not feel that we should have a sales tax. I am thinking of the old people that are living on pensions. They could not afford the additional expenses and again we would be switching from the motorist to the pockets of the old people if we throw a sales tax in. But I do feel that the wage earner, especially the wage earner who is constantly -- and now maybe I speak as an employer too. Every time I turn around, somebody wants a raise. So do you folks. But as a wage earner, I feel that the wages should be taxed at their source. This is personal. It has nothing to do with the Automobile Club. That is the only way we are going to have fair taxation in this state. And how about you gentlemen coming up and getting the intestinal fortitude - there is another word for it, but let's use that - to give us a decent tax structure?

ASSEMBLYMAN BOWKLEY: Now, you are aware of the fact that we are concerned with this flow of traffic, primarily commuter

traffic between New York and New Jersey.

MR. SCHULTZ: Right, sir.

ASSEMBLYMAN BOWKLEY: And you have just advocated, as I understand, an income tax of some sort.

MR. SCHULTZ: That's right. But you should also when you give us a decent structure - my thought says at that time you will also be fair enough to reduce the gasoline tax, reduce the cigarette tax, reduce the liquor tax, and give us a tax that will take care of the state's expense without singling out any particular user. If we elect to live in the United State, we elect to accept and pay the income tax put upon us by the United States.

ASSEMBLYMAN BOWKLEY: Yes, but these people that we are primarily concerned with are already being taxed by the State of New York.

MR. SCHULTZ: You are speaking of the commuters.

ASSEMBLYMAN BOWKLEY: Yes.

MR. SCHULTZ: I would like to ask one question, sir. A little while ago somebody was speaking of 30,000 commuters through the Port Authority tunnels and bridges, 30,000 a day. Does that mean 30,000 in one direction so it is 30,000 coming home?

ASSEMBLYMAN BOWKLEY: Yes.

MR. SCHULTZ: That is 60,000. Now is your definition of a commuter and your count of a commuter the man who buys a commutation ticket? Then how about all of "me" that go back and forth without a commutation ticket?

ASSEMBLYMAN BOWKLEY: I am asking you if you are aware of the fact, since you have advocated an income tax, that these same people that we are concerned with would be taxed in New York State

as well as in the State of New Jersey?

MR. SCHULTZ: Many of them are taxed there now so reverse it. Then anybody that lives in New York and works over here, tax them too. Where are the people who are supposed to represent the citizens? Let's have it straightened out taxwise, not just on one man.

ASSEMBLYMAN FLYNN: Mr. Schultz, you are a commuter? You classify yourself ---

MR. SCHULTZ: No, sir.

ASSEMBLYMAN FLYNN: I beg your pardon. I thought you had classified yourself as a commuter, as one traveling back every day. Thank you.

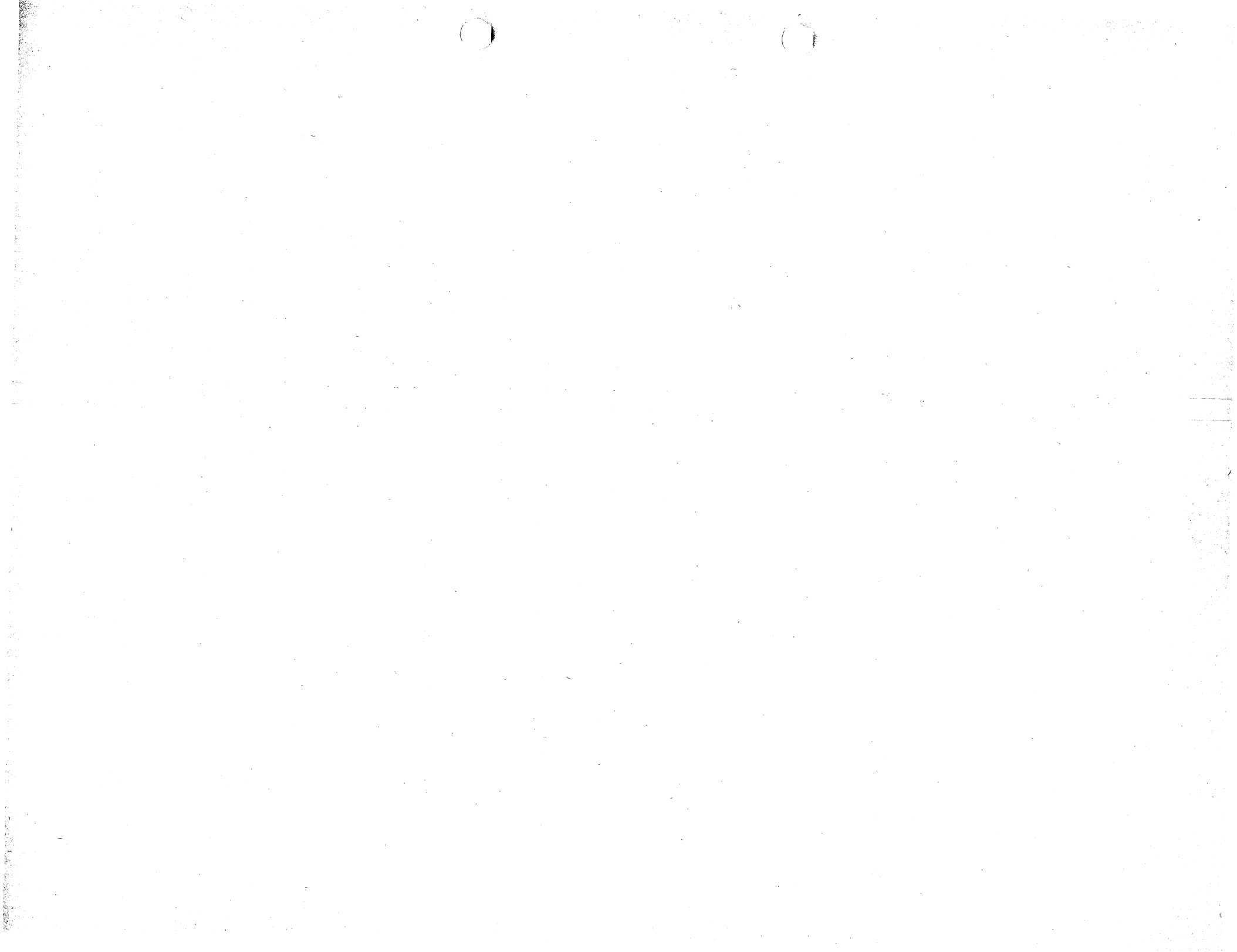
MR. SCHULTZ: No, sir. I can walk to work. Thank goodness!

CHARIMAN KESSELHAUT: Thank you very much, Mr. Schultz.
Mr. Powers.

MR. CHARLES E. POWERS: Mr. Chairman, Members of the Committee: My name is Charles E. Powers and I live in Leonia, New Jersey. It may also be pertinent to inform you that I am the Secretary of the Automobile Club of New York, and therefore I have a more than passing familiarity with the legislation before you.

However, it is as a continuous resident, homeowner and taxpayer of the State of New Jersey for some fifteen years that I am here to urge your rejection of Assembly Bill No. 16 and, briefly, to tell you how this measure would impose inequitable and burdensome penalties on me and on all motorists.

I am one of those persons who earns outside of our state the income he spends in New Jersey, subject, of course, to the tax I pay in New York, and on which I pay all local taxes. I commute daily by automobile between my home and my work and I use this form of transportation not only because it is convenient, but because



of the irregularity of my hours.

My commutation rate across the George Washington Bridge is \$10 a month. That is for forty trips.

I am strongly opposed to any legislation, such as Assembly Bill A-16, which would force the Port Authority to undertake any deficit activity, which in turn would make me pay more for the facilities I use without giving me one jot more for my money.

If the commutation rate is abandoned, I will be paying fifty cents a trip, or a dollar a day - and so will thousands of other motorists. From what I have heard at these hearings, that is, today and last week, there is a distinct possibility, if this measure is passed, that I will be paying seventy-five cents a trip or a dollar and a half a day. Assuming there are 240 working days in a year and that the rate is increased to seventy-five cents a trip, the cost of my transportation will rise from \$120 a year at the present time to \$360 a year, an increase of \$240 a year. My next-door neighbor who, because of his own personal reasons, takes the train, will, I must assume, be provided with the identical type of transportation he now receives at not one-cent additional cost.

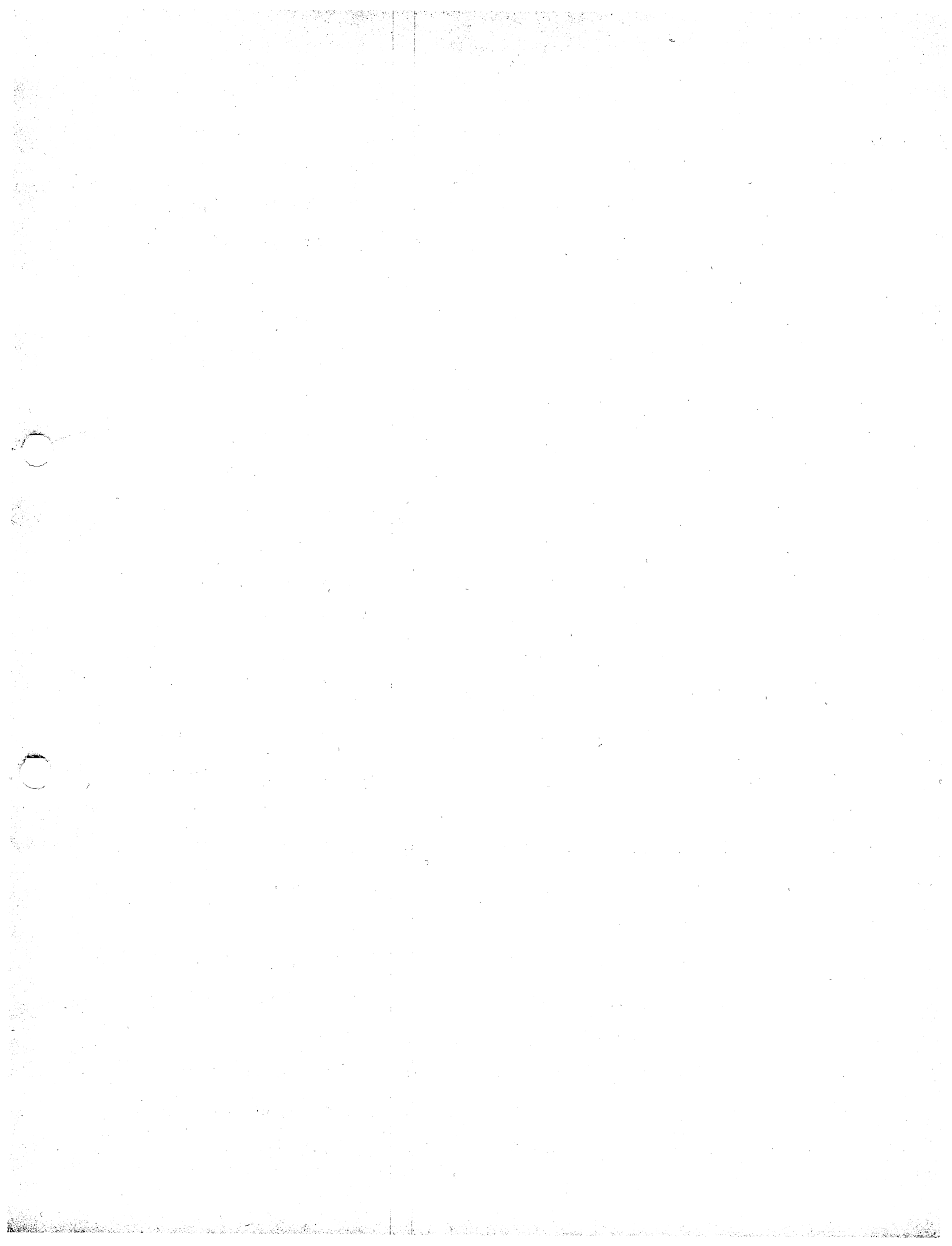
As a taxpayer, I am willing to pay my share of the local tax increase, if this is necessary to solve the problem of mass transportation for our state, just as I and other motorists pay all other general taxes. I am in favor of paying this tax increase because it would be more broadly and equitably distributed and, hence, less of a burden. I would consider it a far more equitable solution to the problem of mass transportation, since it would not discriminate against motorists and would rightfully assign the costs of the rail system, at least in part, to those who most directly benefit from it.

I am aware that various mayors and public officials are supporting A-16 with the commendable objective of avoiding local tax increases. It is said that mass transportation must be subsidized and if the motorist foots the bill, it would forestall the possibility of an increase in real estate taxes. Everyone pays real estate taxes - directly, as a home or property owner - or indirectly, through the payment of rent or through the increased cost of merchandise he purchases. If mass transportation is necessary to the community, then it seems only fair that everyone should be obliged to underwrite the deficit instead of just the motorist. It would appear that some local officials are unaware that motorists are also their constituents and should not be discriminated against.

On all sides these days, one hears and reads of efforts to subsidize mass transit - largely through the use of motorists' funds. Only this week, executives of the New York Central and the New York New Haven and Hartford indicated that they, too, would like the Port Authority to assume responsibility for their lines or, at least, their deficits. If A-16 is passed, I don't doubt but what New York City would ask the Port Authority to assume the deficit of the New York City subway system and, in my opinion, it would be just as logical.

Undoubtedly, this attitude is the result of the encouragement being given to the idea of such subsidies in New Jersey.

Gentlemen, even the motorist has only so much money - and I say "even" because obviously he is being looked upon as the goose that lays golden eggs. He is paying far more than his share of taxes now. It is literally impractical, both from the viewpoint of personal economics or of sound financial planning and policy, to



ask him to take on any more burdens, particularly when he is being asked to assume obligations that do not belong to him.

You are dangerously close to killing the goose without these new burdens. If you add to them, you are going to seriously impair our ability to continue to own and operate a motor vehicle and to help support the hundreds of types of businesses dependent on the automobile.

I am opposed to Assembly Bill 16 as a matter of personal economics. I am also opposed to it because it is unfair, short-sighted and a highly dangerous expedient that would do more to cripple transportation to and from our state than it could ever possibly achieve in benefits. I urge you to reject bill A-16.

And while I am on my feet I would like to read to you gentlemen an item from the New York Times of this morning with respect to a speech Mr. Palmer, the State Highway Commissioner, made in Rochelle Park last night: "After describing his department's plan, Mr. Palmer called for a new approach to highway financing. New Jersey has no dedicated taxes and all road construction is met from general funds. Declaring that the state's traditional approach has been to 'stick our heads in the sand and hope the problem will go away,' Mr. Palmer said, 'We must evolve a method of financing our highway needs or to put it another way: We must find ways to finance non-highway services other than by tapping motor vehicle revenue.'" Thank you, gentlemen.

ASSEMBLYMAN BOWKLEY: I have two questions, Mr. Powers. Number one, for the record, I would like to know whether you are speaking as an individual or in behalf of the New York Motor Club.

MR. POWERS: I am speaking as an individual. I happen

to know a little more about it than other individuals. I commute daily. This is going to affect my pocketbook.

ASSEMBLYMAN BOWKLEY: What I mean is, you are not inferring that you are speaking for the New York Automobile Club?

MR. POWERS: That is right. I am not.

DR. FLINK: One or two short questions, Mr. Powers. Am I correct in assuming that you feel the motorist is already pretty heavily burdened with taxes?

MR. POWERS: I certainly do.

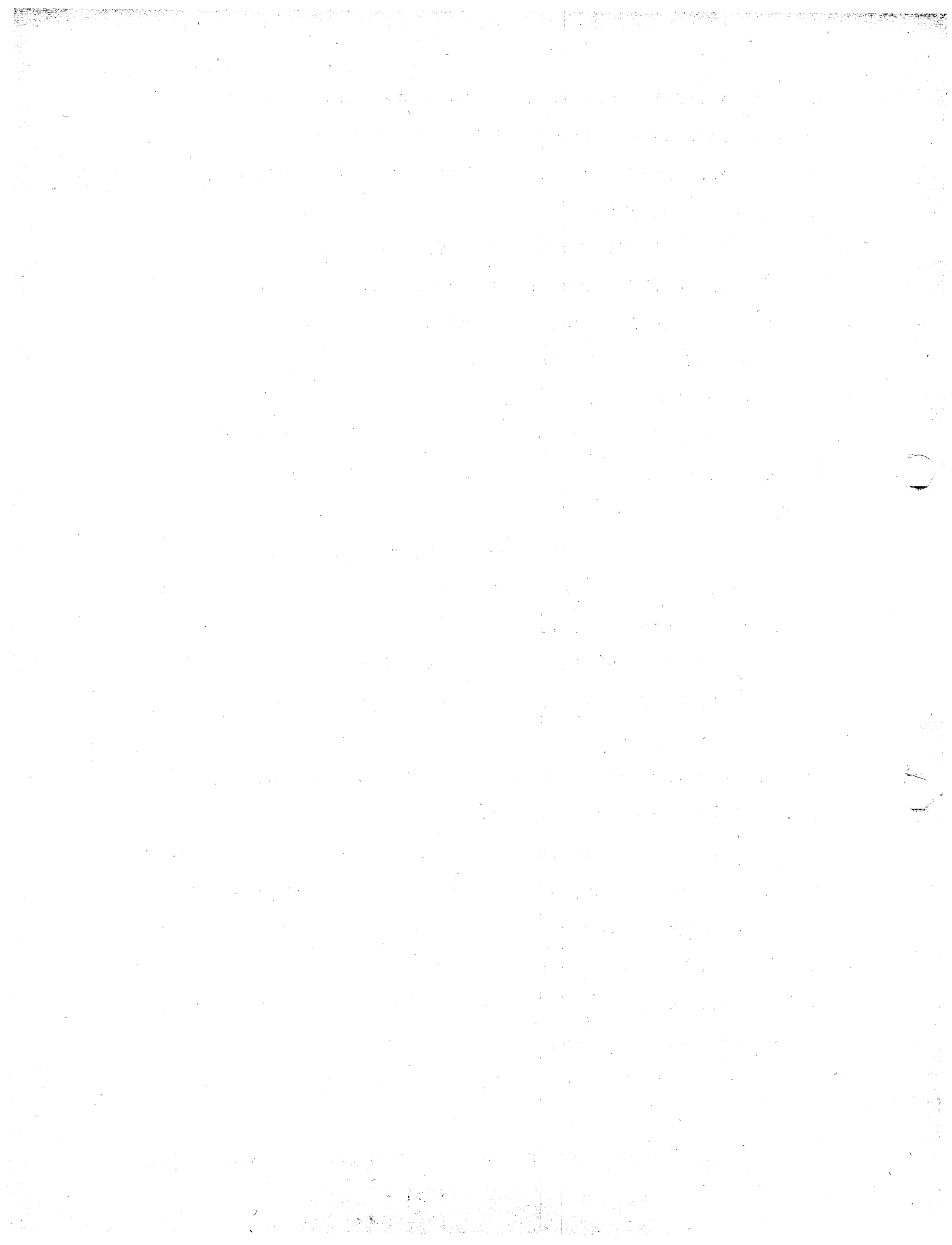
DR. FLINK: Do you also agree that the property owner in Bergen County and in northern New Jersey is pretty heavily burdened with taxes?

MR. POWERS: Yes, I do, Doctor. But if I may interject a word here, I saw the proposed assessment for these individual towns and in Leonia it is \$18,500 for the whole community. That is not going to hit me with \$240 a year, I don't think.

DR. FLINK: I agree with you on that, but it might hit some people in Newark or Hudson very heavily. But aside from that, since you express the view that as a motorist you are pretty heavily taxed right now - as a property owner, you are relatively heavily taxed - why are you opposed to a plan which would not impose any additional burden on you as a motorist or on you as a direct or indirect property tax payer? In other words, it has been argued all along that over a period of decades, the commuter like you and transit facility user finance other facilities - that a sizeable amount of money was ---

MR. POWERS: You don't think I am happy about that, do you, Doctor?

DR. FLINK: Why are you then opposed to tapping those



surplus revenues which you are still contributing to?

MR. POWERS: Because I think they have been tapped to death already and even though they have been tapped, the Port Authority was able to give us a commutation rate which we fought for for about ten years. Certainly that would go down the drain if this bill is adopted.

DR. FLINK: Are you familiar with the profit?

MR. POWERS: Generally, Doctor. I am not a financial expert. I am also familiar with what Mr. Tobin said a week ago though that they had \$800,000,000 in commitments to use their profit for.

CHAIRMAN KESSELHAUT: Thank you, Mr. Powers. Judge Hughes.

JUDGE RICHARD HUGHES: Messrs. Chairmen and members of the Committee: My name is Richard Hughes and I appear on behalf of the Associated Railroads of New Jersey. Needless to say, although I am a motorist; I am not speaking as a motorist.

First of all, let me thank the committee members for permitting this statement, which I want to reassure you at the outset is not a long one, and at the same time thank the whole committee for the tolerance and patience with which they have permitted this fair presentation of the views and opposing views of the various participants in these two days of hearings.

I have attended these hearings which were very interesting and while many concepts have developed which give rise to controversy of no mean proportions, which will undoubtedly last, there are at least three factors which have crystallized so that they can be considered as non-debatable issues. One of these is that commuter service by rail is essential and must be continued in

the public interest. Another is that some deficits must be contemplated regardless of how and by whom the service is provided. And the third is that the New Jersey railroads can no longer absorb the losses resulting from their continued operation of this essential service.

Public concern has become so deep and discussion of the problem has been so common place that at this point it hardly seems necessary to dwell on the nature of the crisis in New York - New Jersey metropolitan commuting. If it be conceded that transportation, as the very life-blood of this area, is essential for the maintenance of its economy, growth and development, it is likewise beyond argument that immediate steps need to be taken to avoid the breakdown of this essential service. Neither commuters, municipalities nor legislators, regardless of the particular solution they prefer, can quarrel with the recent Metropolitan Transit Commission's statement that "an adequate, coordinated and modernized system of suburban transit by rail and bus between New Jersey and New York is essential in the public interest and a matter of immediate urgency."

Now despite substantially higher fares which are quite understandably beginning to pinch some commuters, and despite some curtailments in suburban service, the losses experienced by the railroads in providing such passenger service remain a major problem and the railroads have reached the point where they cannot continue to bear these losses. The simple fact is that they do not have the necessary financial resources. Their freight revenue no longer is sufficient to subsidize the passenger deficits and competition from government supported carriers, particularly those on public highways, makes it more and more difficult to increase revenue

through raising freight rates. Further, new revenue from increased passenger fares is quickly dissipated by rising costs such as the eight-cent wage increase that went into effect the first of November, 1958.

All of you, I think, realize in the first nine months of this year, the nine railroads operating in New Jersey experienced an over-all deficit of \$30,400,000. It was by a fortuitous windfall collection of mail pay that the railroads were enabled to meet their December 1st tax payment, which is a non-recurrent situation. It is obvious that this situation from the economic standpoint of the railroads cannot continue for long. It is no longer simply a matter of the unfairness of forcing an industry to perform a public service without adequate compensation. It is now a matter of sheer survival. Unless steps are taken immediately toward a better-balanced and more equitable transportation policy in this area, the railroads will be forced to get out of the passenger business entirely.

Now it is not difficult to imagine the chaos that would result if even one of our railroads should suddenly collapse. Even if we had sufficient highways to carry the additional automobiles into New York, there would be no place to park them once they got there. Hardship to the commuters, themselves, would be equalled by hardship to the municipalities in which they live, because these concepts are identical. Property values would decline and communities in which the commuter is an important economic factor would literally wither.

So that a basic solution cannot be delayed any longer. At a very minimum, there must be to start out with available some legally constituted authority, equipped to avoid, if it is in the public

interest to do so, the forced abandonment of passenger service by one or more of our railroads. Such a body could initiate some constructive action to continue essential service. More important than the selection of any of the variations in the solutions which are proposed is the need of some action now - before the commuting crisis has degenerated into a commuting chaos.

We all know that there is some disagreement as to the specific remedy to be applied to this obvious disease. Some people advocate that New Jersey join New York State in establishing a new public agency (the Metropolitan Transit District), based on local representation. This agency would be authorized to develop and negotiate a practical plan of coordinated rapid transportation for submission to the Legislatures of the two states for approval. Other people reject this suggestion and they insist that it is the obligation of the existing Port Authority to solve the problem, and that the two Legislatures should somehow compel them to assume it.

Now without going too deeply into the respective merits and demerits of the two proposals, it should be noted that public controversy now in progress has created some misunderstandings about the Transit Authority Bill, S-50 and A-115, which should be cleared up.

This bill provides for nothing more than detailed planning and negotiations with interested parties. The Transit District is empowered only to develop and recommend a specific plan, and any plan developed must be approved by the Legislatures of both New Jersey and New York before it can be put into effect. The bill does not mention the so-called "Page Plan" calling for a bi-State loop. No one is committed in advance to anything whatsoever. Only the representatives of the metropolitan area communities can fix the

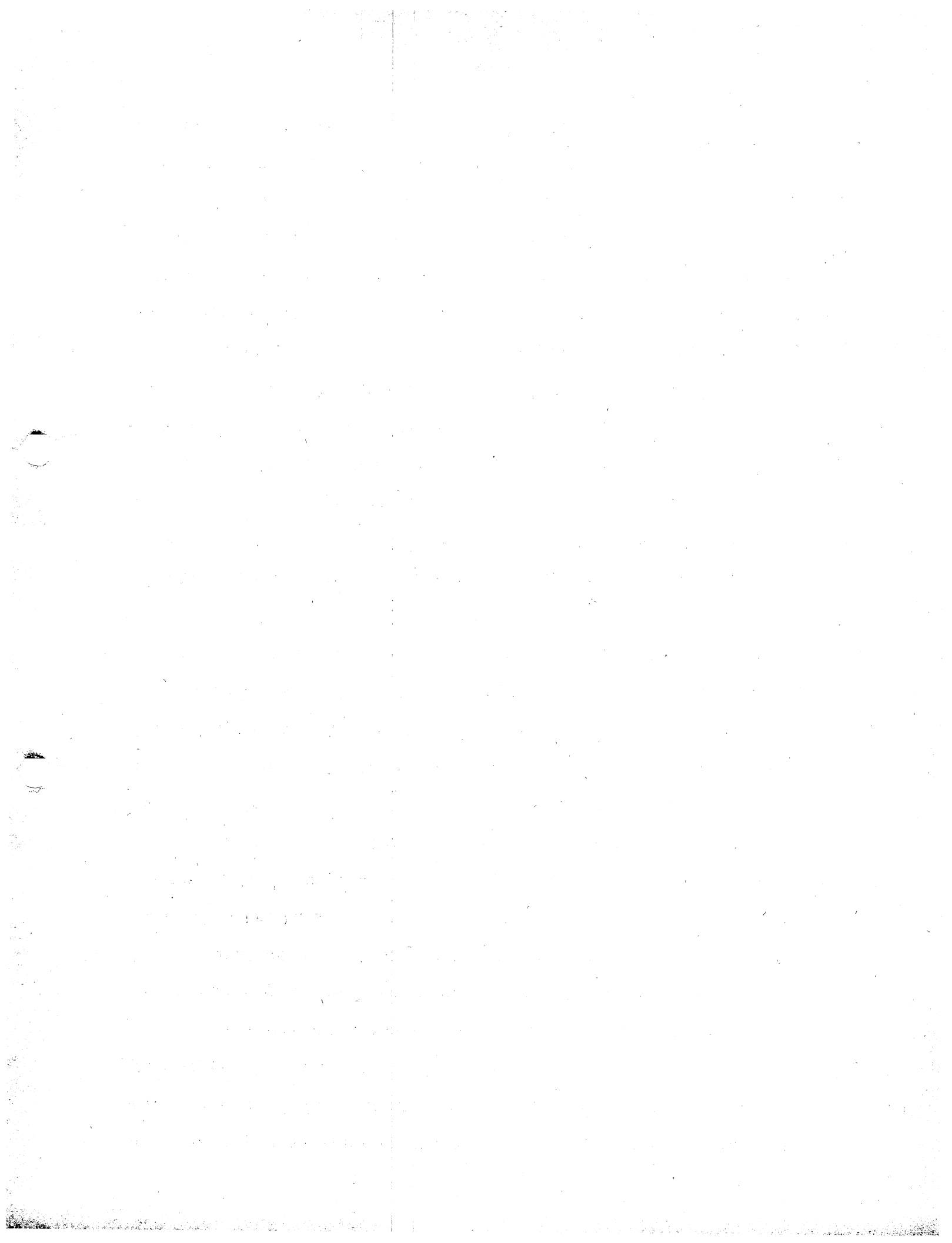


cost of any plan they recommend, and only they can determine and recommend the most feasible and acceptable sources of revenue for the support of this essential service.

Accordingly, statements that this bill commits the people of New Jersey to an expensive system of river tunnels, and saddles the individual municipalities and their citizens with big, new financial burdens, which some have described as a 10 per cent increase in "county taxes," are just not supported by the facts.

To meet any misgivings on these points, which seem to me to be the basis of county and municipal protests which have been lodged against this legislation, it would seem to me to be quite feasible for the Legislature to give its solemn word by the passage of a joint resolution, for instance, to accompany the passage of the bills, that upon submission to it in the future of any plan developed, it will be mindful of all such protests and will deal fairly with the counties and municipalities affected before the approval of any such plan. Let me point out to the committees that the New York act providing for an interstate compact to create the Rapid Transit District contains this clause: "This act shall take effect upon the enactment by the State of New Jersey of legislation having an identical effect with this act."

The press has quoted one of your distinguished chairmen, Assemblyman Crabel, as having said at the conclusion of the public hearing last Monday, November 24th, that the bills under consideration had little chance of passage in their present forms, thus indicating the possibility of the passage of some amended bill or substitute bill. This, we think, would nullify the effectiveness of the New York Act. Instead of amending the present Senate 50 or



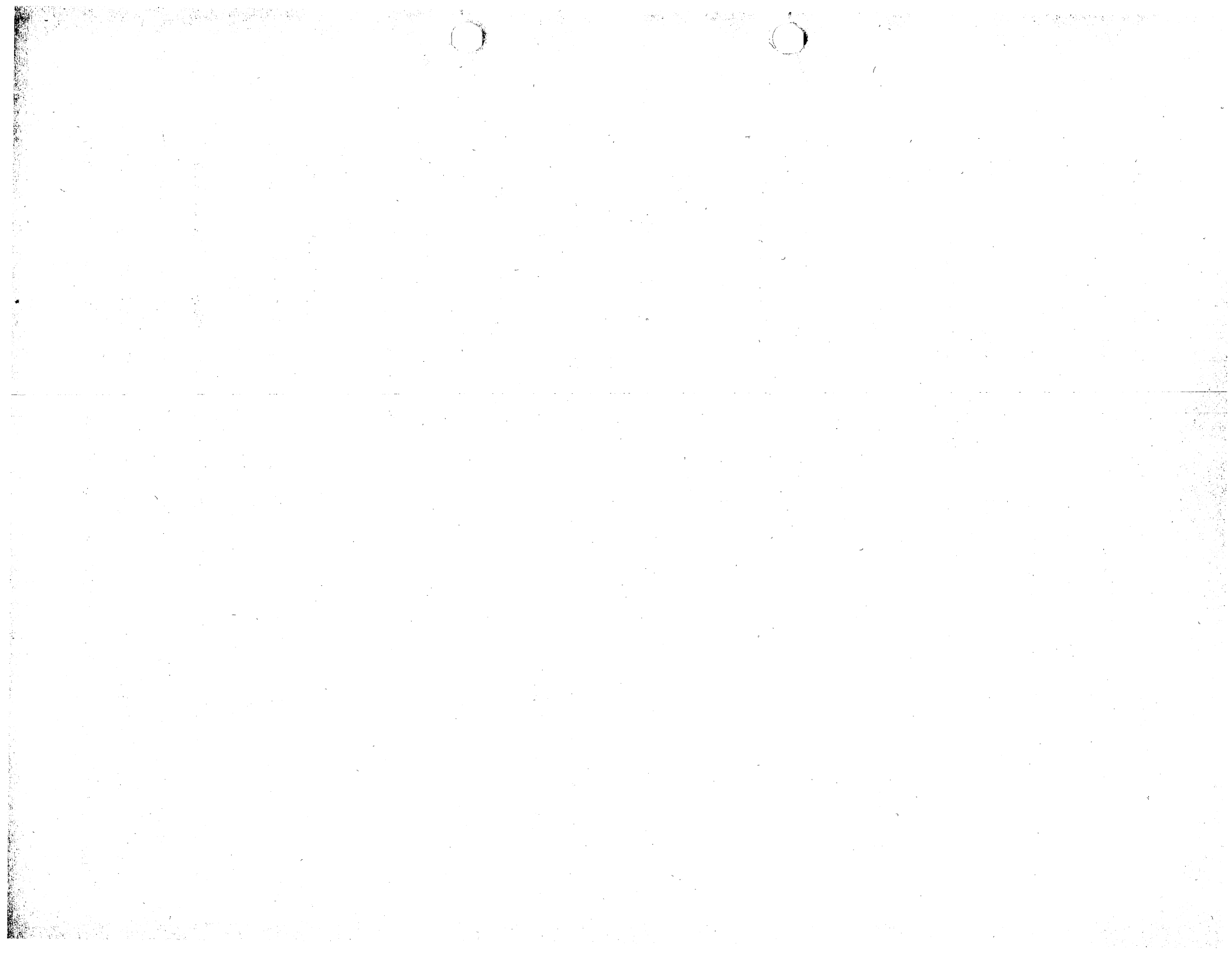
A-115, it is suggested that Senate 50 which has already passed our Senate, be passed without amendment, and that the House pass either a House resolution or a joint resolution, meeting the doubts and misgivings which have been expressed, which would resolve as follows:

1. that the establishment of a metropolitan rapid transit district is not to be construed as an approval of any of the physical plans suggested by the report of the Metropolitan Rapid Transit Commission;

2. that the metropolitan rapid transit district is directed to formulate the most economical and feasible plan for the improvement and coordination of rapid transit facilities in the New Jersey-New York metropolitan area;

3. that in formulating the means of financing such plan, the metropolitan rapid transit district is directed to consider and investigate all available sources of revenue, including but not limited to the Port of New York Authority, the States of New Jersey and New York and the Government of the United States.

And let me add a fourth that has occurred to me while I listened to the previous witnesses. If there be misgivings by the counties and municipalities, which will be affected by the eventual plan to be developed and to be recommended to the Legislatures by the rapid transit district, as to the organization of that district - and I know that the committee has heard many objections to the form of the organization, the representation from the ten counties involved, the executive board and so forth - nothing is to prevent, since a compact is an agreement between two states, this joint resolution making clear to the public that any district plan developed and submitted to the Legislature during the two years allotted for this purpose by the bills



is not confined to the organizational structure in the present rapid transit district. And I believe that your adviser, Dr. Flink, would probably confirm this. Nothing would prevent the plan to be developed and recommended to the Legislature providing that the personnel, the representation, the division of authority in the operating plan as distinguished from the investigational, the development concept, contained in these bills containing a setup different organizationwise from that in the present bill. Now, since any plan and method of financing will have to be presented to the Legislatures of the two states before becoming effective, it would seem that the adoption of this kind of a joint resolution would be plain notice to the district and to the state on the word of this Legislature that a plan not in conformity with the terms of the resolution would not be likely to be approved by the Legislature of New Jersey. Now, by this expedient, the Legislature of New Jersey can do something now to solve the transit crisis.

There has been discussion before this committee of deficits. We think that if the most effective use were to be made of existing facilities in a district plan developed and recommended and approved by the Legislature, the popularly cited prospective deficit figures of between \$12,000,000 and \$20,000,000 annually grossly overstate the deficit which a tax-free public authority or agency would have to meet for essential, partially tax-free service. Since no one has ever approached the railroads or other carriers to negotiate actual terms, all current estimates of deficits are necessarily without realistic foundation. I can assure you of this, the railroads would not be lacking in extending any cooperation they can within their power to reduce such possible deficits under the district plan to be developed and recommended, and, in fact, to

assist in any way in the creation of some workable plan.

Now this bill, which has already passed the New Jersey Senate, has one very important advantage. It could take effect more rapidly than any other possible action, since the State of New York has already approved a similar piece of legislation, which became a law on April 23, 1958, with the approval of its Governor. Should the legislation be adopted immediately in New Jersey and approved by our Governor, the completed compact would be ready for presentation to the incoming Congress of the United States. Thus we would be doing something without committing the state, the counties and municipalities contained in the district, or anyone else to any specific plan when developed and brought before the Legislature for either acceptance or for rejection. And the bill I am sure every lawyer would say, every legislator would realize, is completely plain in that respect.

Consequently, the taking of some action now is more important than any specific bill. And we think the soundest and most practical action that could be taken, and one which would produce the quickest results, is to join with New York in establishing the Metropolitan Transit District. There seems no logical reason why the passage of the Metropolitan Transit District bill would preclude the possibility of active participation on the part of the Port Authority in meeting the transportation crisis. And may I interpolate that I mean that sentence to embrace participation on either a voluntary basis or by compulsion of law. What the nature of this participation will be, and to whatever extent it may be involved in any Metropolitan Transit plan to be developed and submitted to the Legislatures for approval, need not now be decided, and

indeed, should be considered with care and foresight in the interest of the security of transportation needs of the future in this crucially important area. However this may be, it is clear that any realistic solution must necessarily include the immediate establishment of the Metropolitan Transit District, for if we fail to take this first step now, we are inviting a new long period of delay and bi-state negotiation, and nothing is going to happen for years. The real choice now, therefore, is to do something or to do nothing.

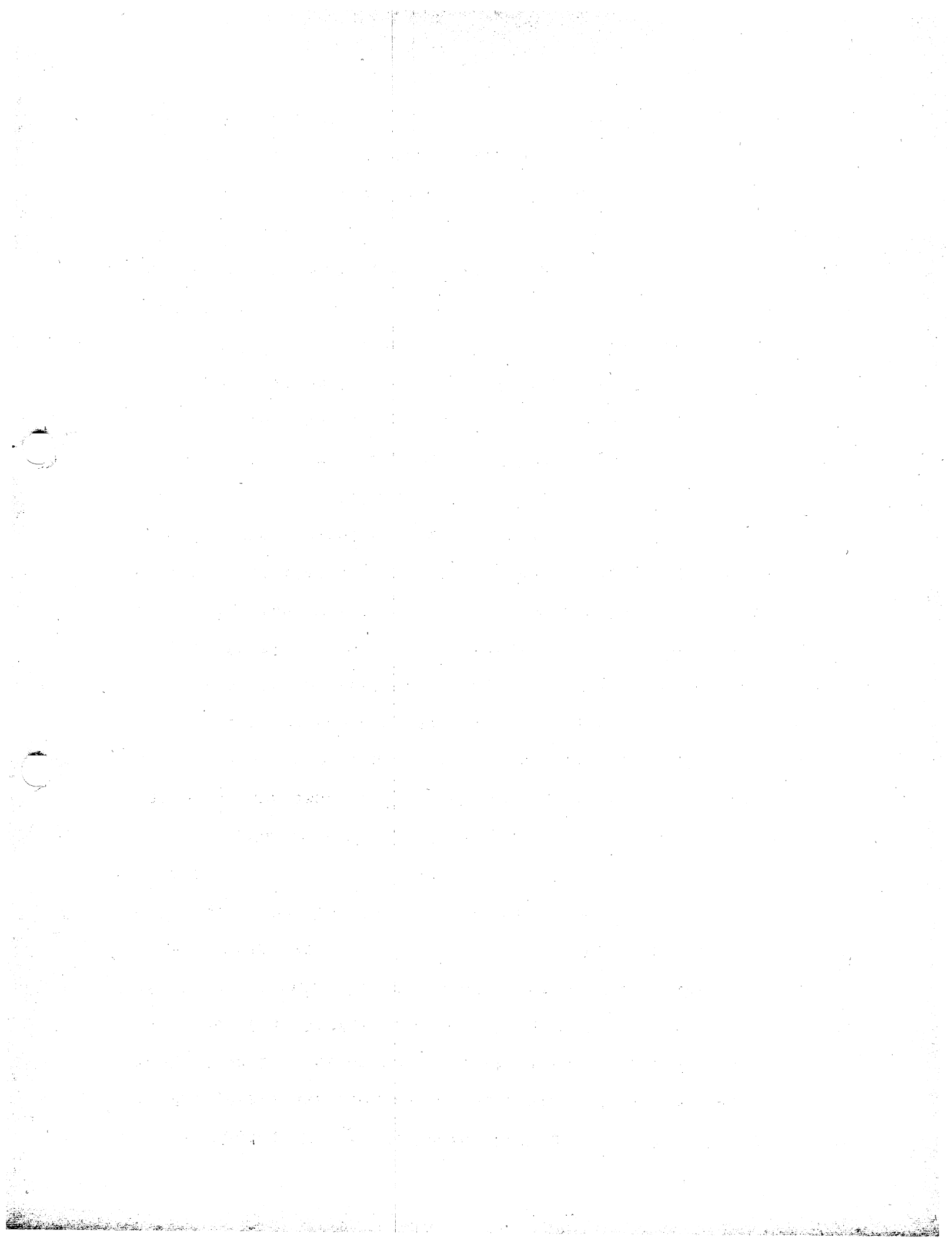
Any further delay whatever may be too much to preserve for the people of New Jersey even the skeleton or the hope of a transportation opportunity for the mass movement of commuters by rail. As you know, the press indicated Monday that the Lehigh Valley Railroad Company is planning even now application to the Interstate Commerce Commission for the discontinuance of all passenger service, and other roads are actively studying the advisability of similar action.

Seriously, with all the seriousness that I have at my command, I ask the members of the committees to realize that failure to act favorably upon this Metropolitan Transit District bill now will certainly mean years of loss and delay in the solution of this crisis. For those reasons, we respectfully submit to the distinguished members of the committees and to the Legislature that delay of any kind would be unwise in the extreme, and would jeopardize the best interests, security and welfare of the public, including the very municipalities, some of which are protesting, since their survival, growth and well-being depend upon an immediate solution of the commuter problem. Thank you, gentlemen.

CHAIRMAN KESSELHAUT: Thank you, Judge Hughes.

Judge, Mr. E. T. Moore, President of the Central Railroad of New Jersey has been quoted as saying, "I should like to go further as long as we are on ferry losses. I would like to say the Port of Authority of New York ought to take over the ferries right now because they and their development is what has resulted in this loss situation." What is the feeling now of the railroads with regard to the Port Authority and, we will say, the ferry operation?

JUDGE HUGHES: Well, we adhere to the moral viewpoint which is expressed in that comment by Mr. Moore. We still say, and I think any expert realistically would concede, that the diminution in the ferry passenger traffic has resulted from the counter facilities of the Port Authority. We feel, however, that it can only be feasible that this cooperation or assumption of this responsibility by the Port Authority be within the framework of a Metropolitan Transit District and one reason that I say that, Mr. Chairman, is this, that from a lawyer's standpoint when the burden, such as the burden is, and to the extent that it is, is placed upon the Port Authority of becoming a participant in any Metropolitan Transit plan developed and devised, possibly a willing participant on some modified basis, perhaps another kind of a participant -- then in any case there will be behind it to support the validity of the law, not only in the courts but in the public mind from the standpoint of fairness, the period of development and negotiation and careful scrutiny of all facilities and weighing the pros and cons of the absorption of various facilities, ferries, rails, buses and everything else in a Metropolitan Transit Plan so the people will know what the portion of the burden is



that is placed upon the Port Authority is. And I would consider that the possibility of calling upon the Port Authority for its cooperation and involvement in any such plan would be much better than by the enactment now of any other legislation which would certainly, again from the lawyer's standpoint, invite the period of year after endless year of bondholder litigation and so forth.

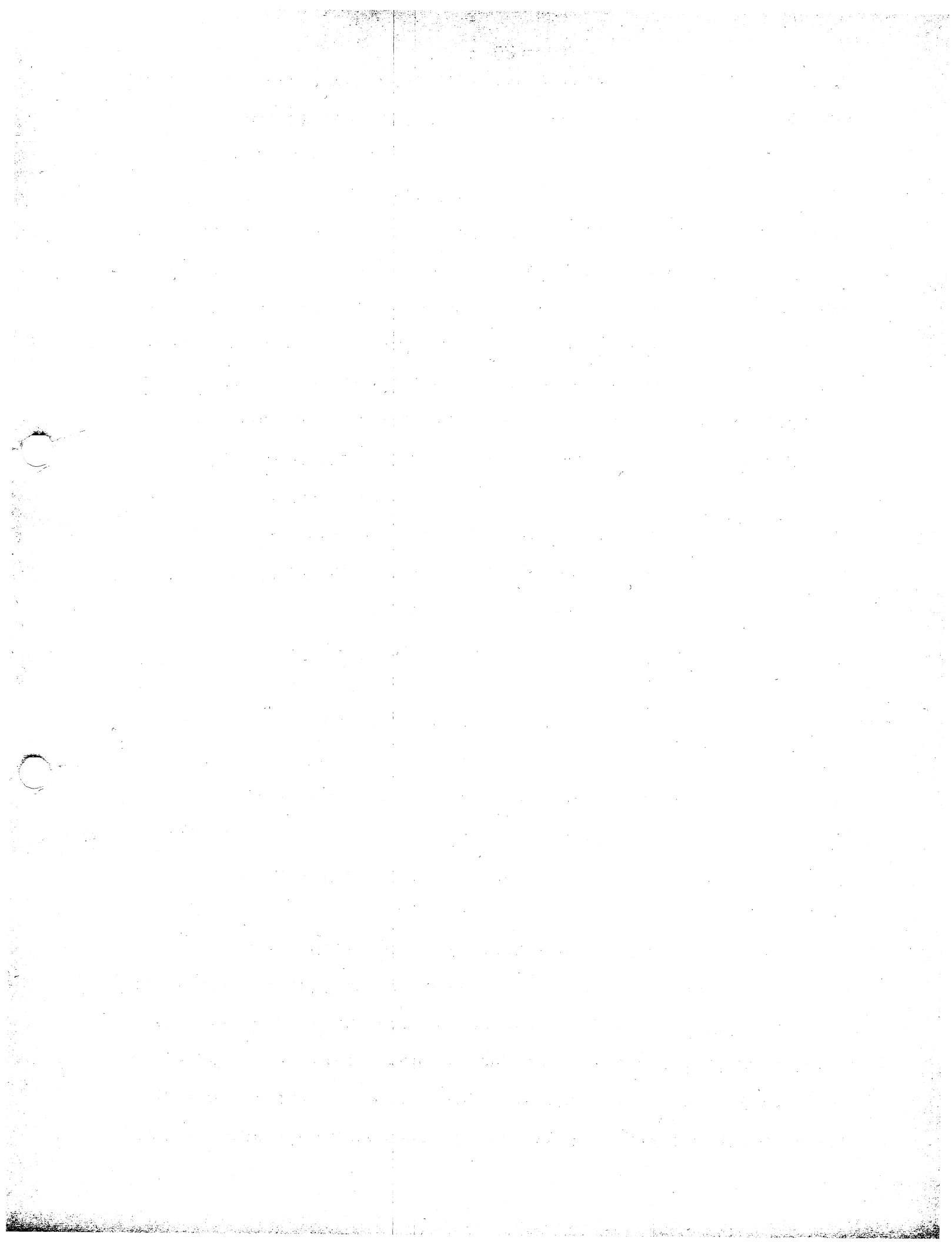
CHAIRMAN KESSELHAUT: Judge, in your statement, on page 4 you refer to the deficit which you state is overstated because a tax-free public authority would have partially tax-free service. Now that presupposes a tax-free public authority. Do I understand from that that the railroads want to get out of the passenger business completely?

JUDGE HUGHES: You mean under the burden of the taxes on their passenger facilities, their rails?

CHAIRMAN KESSELHAUT: If a new agency were set up, that the railroads contemplate all passenger service to be turned over to a public authority?

JUDGE HUGHES: No, I wouldn't think that the railroads suggest that in any way because they have offered continuously their cooperation in making available to any such transit district the use of their facilities. And I could say this, though, I think this is what, Mr. Chairman, you might have in mind because it was invoked by part of my statement, that the probabilities are that as far as existing rail facilities are concerned which are brought into and included in the district plan, taxes thereon would still be payable.

CHAIRMAN KESSELHAUT: Well, you say here that no one has ever approached the railroads to negotiate terms and so on. What



have the railroads done in the past year or so or what are they doing at the present time to eliminate duplicate facilities, competing facilities, to cut down on some of their losses?

JUDGE HUGHES: Well, the railroads are making cannibals out of themselves by selling off their own property for one thing in order to pay their taxes and make up the losses which they sustain by reason of their passenger service rendered in New Jersey. The railroads are committed to extended and continuous studies so far as the eliminations of costs are concerned. The railroads are laying off employees whom they shouldn't be laying off. I don't speak now of any safety situation, but I am talking now of keeping the body of railroad employees of whom there are some thirty-five to thirty-seven thousand in New Jersey intact. The railroads are deciding against certain improvements which are necessary. The railroads are applying from time to time to the New Jersey Public Utility Commission to take off a train which they conceive and attempt to prove to the Commission is a useless train or a duplicated service, involving maybe just a handful of passengers who could be transported with minimal inconvenience to themselves at another nearby point or on a parallel road. I think that if the case were to be made, Mr. Chairman, which calls for a very extensive statement of the desperate efforts which the railroads have made in the past ten years, at least, to save themselves, to pull themselves up by their own bootstraps and avoid complete collapse, every member of this committee would be prompt as have other committees, such as the Smathers Committee, to commend the railroads and concede that they have done all they can to help themselves and now they have to ask the Legislatures of the states and the Congress to help

them.

CHAIRMAN KESSELHAUT: Well, they have been acting, as I understand it, in an individual capacity. Each individual railroad has been acting by itself to eliminate a service here or a service there. But have they been acting together? For example, where you have two trains running, we will say, to New York City at the same time and maybe the distance between the stations is not too great, have they done anything to work out eliminating one of those trains to cut down their costs?

JUDGE HUGHES: They have done everything they can do, Mr. Chairman. And if you will hear him for just two or three minutes, by good fortune I have brought along an expert witness, Mr. Earl Moore, President of the Central Railroad of New Jersey - and this isn't an extended statement - who can tell you in about three minutes what the railroads have done. And I would appreciate it very much, if after I have finished whatever other questions the Committee members or the Doctor might have for you would hear for a few minutes from him because he knows. He knows much more about railroading certainly than I do.

CHAIRMAN KESSELHAUT: Well, that is one question that Mr. Moore, if he is here, can make a note of and I would like to ask him about.

I would like to ask you this too, Judge: You are talking here about the turning over of the passenger operations to the agency because the passenger operation is a deficit. No suggestion is made or mention in here about any freight operation. Is it contemplated that the railroads would be willing to consider turning over certain freight operations to this agency at the same time?

JUDGE HUGHES: I would like to pass that question on also



to Mr. Moore because that is railroading and not the law that I had in mind about this bill.

CHAIRMAN KESSELHAUT: That's all I have.

ASSEMBLYMAN CRABIEL: Judge Hughes, whom do you represent?

JUDGE HUGHES: I stated, Mr. Chairman, I represent the Associated Railroads of New Jersey and that includes --

ASSEMBLYMAN CRABIEL: Which railroads are they, sir?

JUDGE HUGHES: Well, it includes some nine railroads. Mr. Moore, if you will hear him, has the list of the roads. Six of them are roads which are burdened with this commuter problem. He will be able to outline to you which six they are: the Pennsylvania, the Erie, the Delaware Lackawanna, the Susquehanna - two more and he will know because he has his memorandum ready.

ASSEMBLYMAN CRABIEL: You do represent the Pennsylvania?

JUDGE HUGHES: No, sir. I represent the Associated Railroads of New Jersey.

ASSEMBLYMAN CRABIEL: But is the Pennsylvania a member of the Associated Railroads of New Jersey?

JUDGE HUGHES: Yes, sir.

ASSEMBLYMAN CRABIEL: And is the Hudson and Manhattan a member of this association?

JUDGE HUGHES: I think not.

ASSEMBLYMAN CRABIEL: You think not. Mr. Kesselhaut has pointed out and remarked on your statement on page 4 concerning this deficit and I want to go back to that because that has come up several times in our hearings before as to what this deficit is and I note that you seem to duck around this question. Then I am particularly perturbed about the statement where you state:

"Since no one has ever approached the railroads to negotiate actual terms,..." Now, I understand that the literal meaning of that - possibly they haven't, but hasn't the Metropolitan Rapid Transit Commission who spent some one million dollars to formulate this report approached the railroads and received the information from the railroads which would determine this deficit?

JUDGE HUGHES: My impression is, Mr. Chairman, that the Commission has received from the roads as it received from many other "interviewees," if you might call it that, in the course of their extensive studies some concept of the existing deficits. But what those deficits would be in the course of negotiations by a legally constituted body, authorized to develop a plan and to put down what railroad "A" can contribute to this plan and at what cost if such and such a participation by another body will take care of such and such another feature of the whole plan - that part, of course, has not been developed and couldn't be developed until such a legally constituted body is authorized by the Legislature to develop such an actual plan.

ASSEMBLYMAN CRABIEL: Well, you state though that the prospective deficit figures of twelve million to twenty million grossly overstate the deficit and then you add that "tax-free." Now I want to get clear on that because although it is true that the Port Authority and other authorities that we have created have been tax-free and the Garden State Parkway is tax-free, there has been a developing trend in the Legislature to make authorities pay some taxes because of the problem that it creates in the municipality involved and here it will be considerable on this North Jersey problem, so I don't feel that in our thinking here we can just

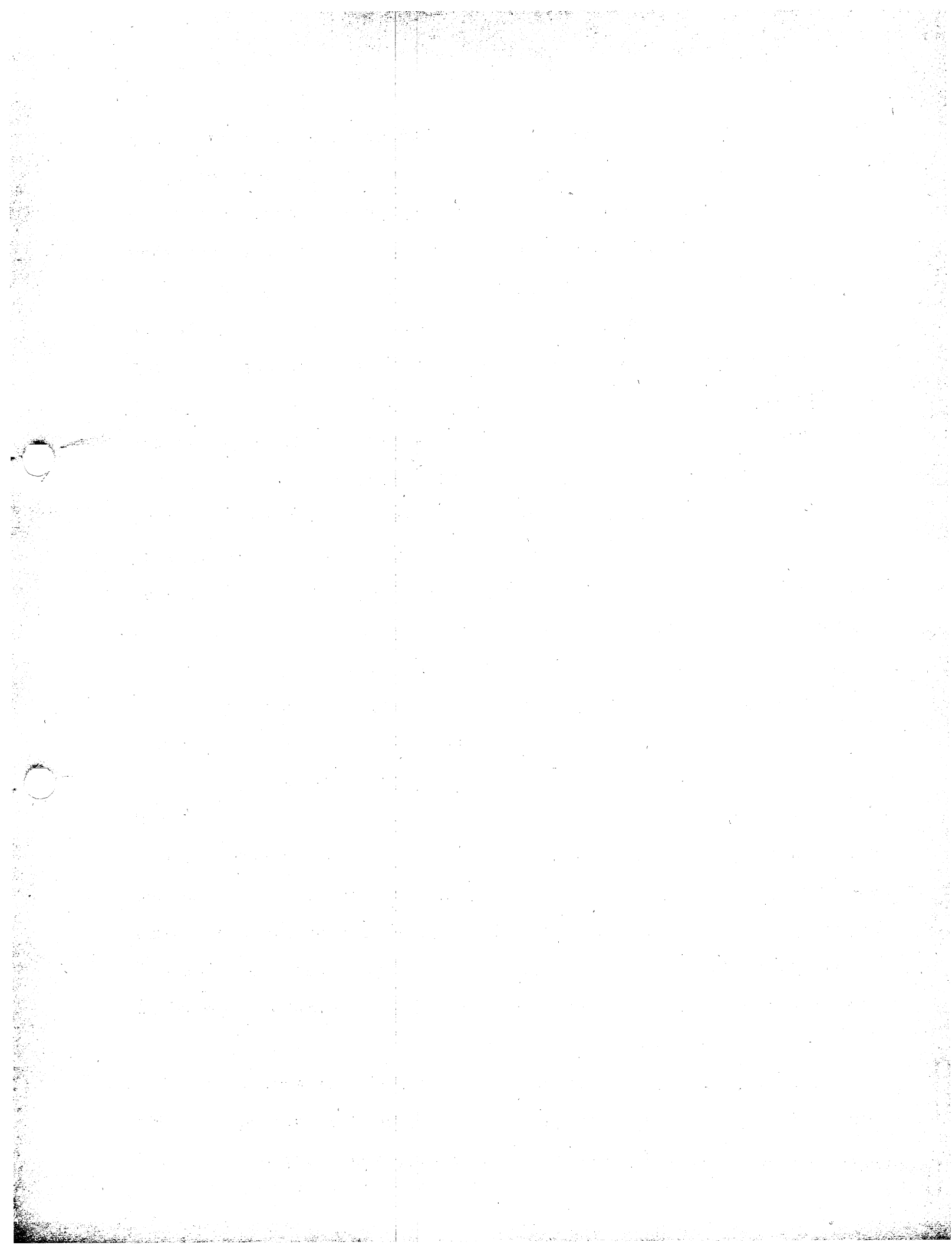
rule out the fact that this new commission might not have to assume some of the load of local taxes. With that in mind, have you any idea as to what this possible passenger commuter deficit is?

JUDGE HUGHES: Mr. Moore has some figures which he is prepared to give you by which he can give you some estimate of a figure lower than twelve million dollars deficit for all of the commuter railroads, beginning with the Central of New Jersey which has the greatest deficit proportionately of all of the six railroads. He has those figures and I would like him to give them to you if he may.

ASSEMBLYMAN CRABIEL: All right. We will talk to Mr. Moore about that when he talks.

To get on another portion of the bill then, you support the Metropolitan Rapid Transit District and you are asking here that because of the urgency of the situation, perhaps this Legislature should pass this bill and append to it a joint resolution. What is wrong - it has been admitted by you and it has been admitted by many that there are several defects in this bill that the New Jersey Legislature probably certainly would not agree with - with actually amending this bill? The New York Legislature meets in January and this bill could be back to the New York Legislature in the month of January. From an operational angle, what is wrong with an approach such as that?

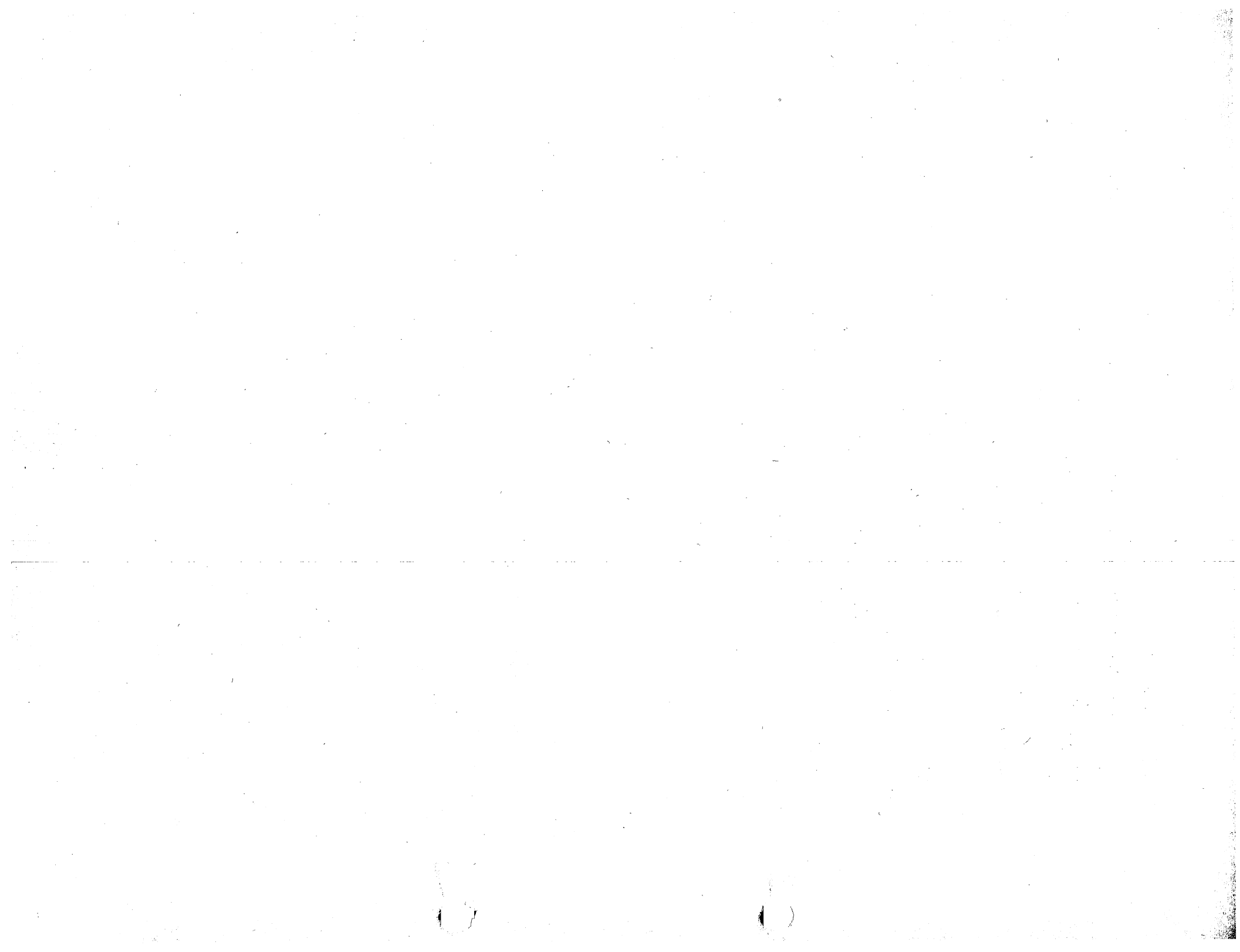
JUDGE HUGHES: Well, I would say that even though the Legislature meets in January in Albany, between that and its equitable passage of a bill counter or different in radical respects from the bill which it enacted in April, 1958, is certainly another question? It might indeed pass such a bill, but



it might not pass such a bill.

You heard testimony from the representative of the New York Regional Council here who asserted, as I recall his testimony, that the Council had foreborne legislative opposition to the enactment of the compact last year in New York. But from the tone of his remarks, I think that every measure will be taken by that Council to fight any re-enactment of the bill to fit in with the New Jersey concept.

Now, Mr. Chairman, of course you are familiar with 4.7 of this bill A-115 "Amendments. Amendments and supplements to this compact to implement the purposes thereof may be adopted by concurrent legislation." Now we know that New York in all probability would have a minimal interest in the particular representation or organizational structure among our ten involved counties that we would propose, the same as the interests of those counties would be of more concern to this Legislature than the particular representation formula in the New York area. So that if the Legislature here passes this bill merely because it is available for passage and it can be passed by the end of this month, signed by the Governor by the end of this month and presented to the Congress early in January - it can be a job done -- and if this Legislature passes its joint resolution pledging the word of both these Houses of different political majority to the public of New Jersey, that they want such and such to be done under the District plan to be developed and reported to the Legislatures, it seems to me that that is the most feasible and the right way to get something done now. Now the opposite would be this: To pass a substitute bill now, having an entirely new organizational structure, and various other changes to fit in with the protests which I know the

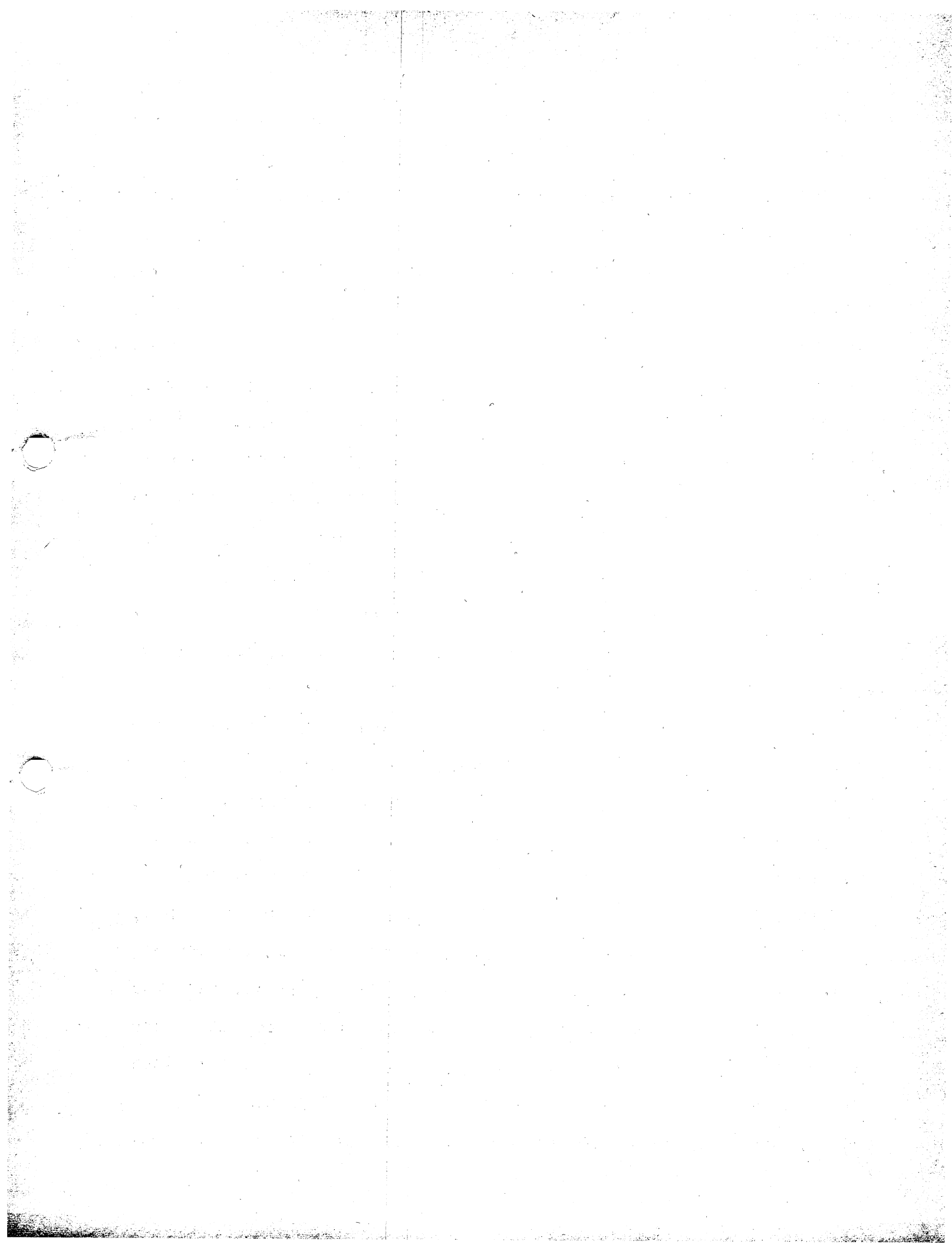


committee has received and is attentive to, as it should be, then take it back to New York and start all over again the enactment of a new New York compact to fit in and be identical with our compact. And I foresee the loss of years in getting to the point where we in New Jersey are right at this very minute in this very month of December, 1958. Now if the objections can be met to this bill by a joint resolution, and a Legislature can't pledge its word any more solemnly by a piece of legislation than it can by its joint resolution on a matter which has to develop and crystallize in a period of two years, according to this compact, I think and I ask the members to consider that that is the way it should be done so that we will get something done. If this goes into bi-state negotiation and legislative problems arise in New York by reason of the opposition of the Council and otherwise, I would think that the chances are very good that there will be a long, long time go by before New Jersey can meet its commuter crisis.

ASSEMBLYMAN CRABIEL: Yes, but you just made some statements here before that there is no question that there is some opposition in New Jersey to some of the organizational parts of the bill, which have no effect whatsoever on New York, and you said, and I agree too, that I am not interested in New York's organizational problem and I am not looking at this bill as a legislator of New York as to what their representation is in New York. If New York passes it, as far as I am concerned that is all right, as far as their representation is concerned. I can see no reason why, if we change our representation here and send it back to New York, it should cause any delay because it is none of their business as to what our problem is.

Now let me go further than that. Every speaker that has

been up here, I have asked the question as to whether they thought the Port Authority could be included in the transit problem under this bill and every speaker has said "yes" and you have stated it here - you have gone further and said that you had no objection to even putting it in the bill. My question is, that if this went through the New York Legislature, practically unanimously like it did, and if everyone speaking here says that they read this, that the Port Authority can be included in the bill, why would the New York Legislature hold up that bill if New Jersey just insisted that it be spelled out in the bill? Now I am not talking about a substitute bill; I am talking about an amended bill with perhaps a provision such as that and then I want to pose another question to you here before you answer that to get the whole thing in context. The representation on this bill as far as New Jersey is concerned and as far as the counties in particular are concerned is very important. And in studying this bill - and I think Mr. O'Mara and Mr. Tuttle admitted it at the last hearing - it will only take one county of New Jersey, one representative from one of these ten counties, voting with New York, to adopt a plan. Now that plan has to get concurrent legislation of New York and New Jersey. The New York Legislature could approve that plan and that New Jersey plan could come down to this Legislature and it would only take two of the ten counties if they were the large counties plus all the rest of the counties in the Legislature, voting, to adopt a plan to tax any of the eight other counties without their permission. Now I say to you that that is a very vital defect in this bill and is one of the big objections to the New Jersey proposition. So to say that this doesn't mean anything and in your statement to state



that this only sets up a commission, I don't feel is true because as I read this bill, my own county could be taxed for metropolitan rapid transit with their delegation voting against it on the council and with their delegation in the Legislature voting against it, without their approval and still have outside counties impose that tax on them. And it is proven that this bill came over from the Senate with only one or two participating counties voting for it, with all the other outside counties voting against it. I say to you when there is a defect like that in this bill, do you honestly think that anything can be gained by passing this bill as it is with the joint resolution attached? Why isn't it much better to get this bill straightened out and get it back to New York the first of January? And if they are sincere in what they have been saying and the people who have been testifying are sincere, there would be no reason for New York to oppose the amendments that New Jersey is proposing.

JUDGE HUGHES: Well, the only trouble with that, Mr. Chairman is this: The New York Act provides, "This act shall take effect upon the enactment by the State of New Jersey of legislation having an identical effect with this act." Now if we send back to New York or if we pass something having something radically different from an identical effect with this act, the whole subject, legislatively speaking, is reopened in New York. All of the old enmities and all of the objections, which could be expressed to the adoption of any compact at all, could come to the forefront and there would be a risk. Now, the size of the risk, of course, we don't know. We are not experts on New York legislation nor of New York legislators, I should say. But there would be a

perceptible risk and in my judgment the same thing can be done, and I so urge the committees, by the statement to the metropolitan transit district of a formula or a plan which this Legislature would approve and would not approve a plan on any different terms. This, because of the short period of time during which the plan decided upon is to be submitted, two years from the date of the last enactment, the enactment of this legislation here - it is fool proof - this Legislature of New Jersey can express its veto to any plan suggested and nobody starts to pay any taxes, nobody starts to make up any deficits, nobody starts to do anything until this Legislature, in whole, approves any plan suggested.

ASSEMBLYMAN CRABIEL: Yes, but I have just pointed out to you that a half a dozen counties here can have the Legislature impose a tax on them by representatives of the rest of the state who are not in the compact and that is a vitally defective situation that couldn't possibly go through by a joint resolution. That has to be clarified.

JUDGE HUGHES: Well, Mr. Chairman, any county or resident of the state is in the same situation and can be taxed even against the objection of its own legislative representatives.

ASSEMBLYMAN CRABIEL: Only if the law is general. Isn't that right?

JUDGE HUGHES: Yes, if the law is general.

ASSEMBLYMAN CRABIEL: It would have to be a general law.

JUDGE HUGHES: If the law is general.

ASSEMBLYMAN CRABIEL: That part is all right because then the twenty-one counties would have to be in the general picture.

JUDGE HUGHES: That's right.

ASSEMBLYMAN CRABIEL: But here you are allowing outsiders to impose a tax, the possibility of a tax, on a member of the compact where not only their representative voted against it, but their representatives in the Legislature oppose it, but they are outvoted by outsiders.

JUDGE HUGHES: Well, I very respectfully disagree with the Chairman on the reality and the extent of that danger and think that if that subject even were cared for in the very affirmative and specific joint resolution, which could be passed to express this Legislature's views, this state's view, in that manner this bill could pass. And I think that the possibility that the district to be created or anyone else would ignore that solemn, specific word of the state would be a very remote possibility.

ASSEMBLYMAN CRABIEL: Are you prepared to talk a little about the commuting figures or would you rather have those questions directed to Mr. Moore?

JUDGE HUGHES: I would rather have you talk to Mr. Moore about them. He is a much better witness in that respect.

ASSEMBLYMAN CRABIEL: That's all I have.

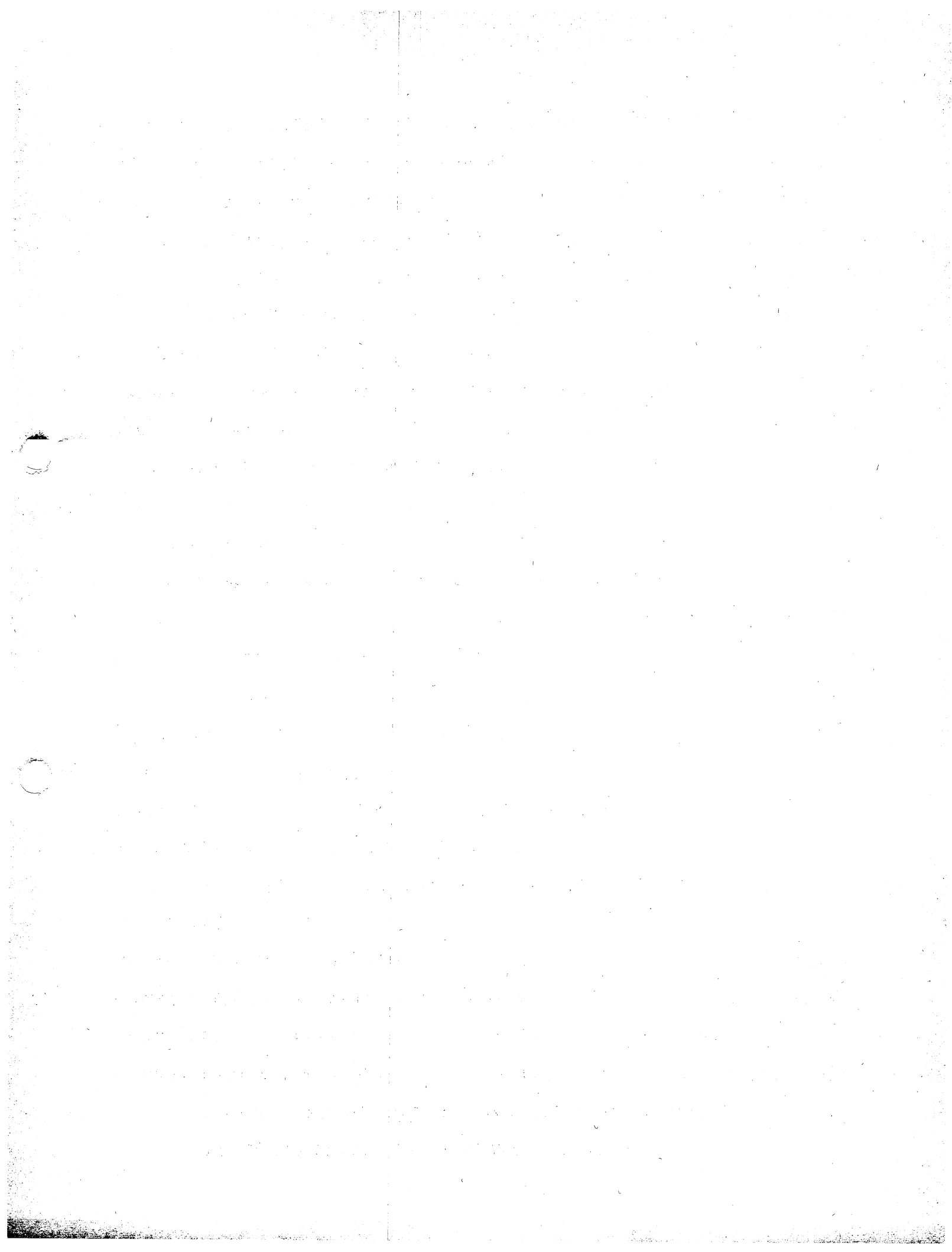
ASSEMBLYMAN WILSON: Mr. Hughes, in relation to this same question which you have just been talking about on the resolution versus the bill, I believe you are aware that if we pass this solemn resolution, the word of this Legislature here to the people of New Jersey, we would be in effect taking ourselves off the hook to the people for creating this district. In two years when the report of this district came in, the resolution would not be binding at all on the incoming Legislature. We may not be elected; we may not even be here.

JUDGE HUGHES: Well, I hope you are.

ASSEMBLYMAN WILSON: I hope so too. But the fact is, if we made this a law, which might complicate things and might hold up New York, there would be a definite statute on the books - passed both Houses and signed by the Governor. A resolution would not become a law and, therefore, they would not be bound by what we did two years ago.

JUDGE HUGHES: That is certainly true from a constitutional-law standpoint. They would not be bound. I think they would by the greatest proportion of the probabilities elect to be bound because it would not be an easy thing to affront the specific joint resolution of this Legislature. As I see it, this is a choice between doing something now or failing to enact this legislation now, which will certainly precipitate this into a bi-state legislative hassle that will foreclose action for a good long while to come as I see it now. I hope I am not too pessimistic, but that is the way I submit my opinion to you as against this other risk of a sort of a combination or conspiracy among some counties to saddle other counties and so forth and so on. And I think that the risk of such a thing with the veto power that the Legislature has over any plan suggested is a minimal possibility, sort of a skeleton in respect to the fearful situation so far as the present crisis is concerned, ought not to frighten the Legislature too much.

ASSEMBLYMAN WILSON: The second question, Mr. Hughes: You have stated that no one has actually contacted the railroad people for negotiations along this transit line. A week ago Monday, Mr. Tobin stated that the Port Authority has been studying this problem for thirty years. While I am a skeptic as far as the Port Authority



is concerned, I think that they should at least have had the courtesy to contact the people who would be principally involved, the railroads. And your statement rather shocks me because I wonder what they have been studying for thirty years if they haven't contacted the people who they have to work with.

JUDGE HUGHES: I don't know what the Port Authority Executive Director has been studying for these thirty years, but in any case, no one has come to the railroads and said, "Now, we want to use such and such a facility in a metropolitan rapid transit district plan which we are developing for our clients, our clients being the States of New York and New Jersey, and we have to get back to them in a limited period of time with a plan. And we want to know how much you will charge us or how much it will cost for the use of such and such a facility. We want you to talk to Railroad "B" that is right next door to you and see if you can both use the same rails, if you are members of this district plan to be recommended, and if such and such costs can be saved." They are the kind of negotiations which I referred to, which have not been had by any approach to the railroads.

ASSEMBLYMAN WILSON: That is what I was referring to and I think it is a basic thing and should have been done. Thank you, Mr. Hughes.

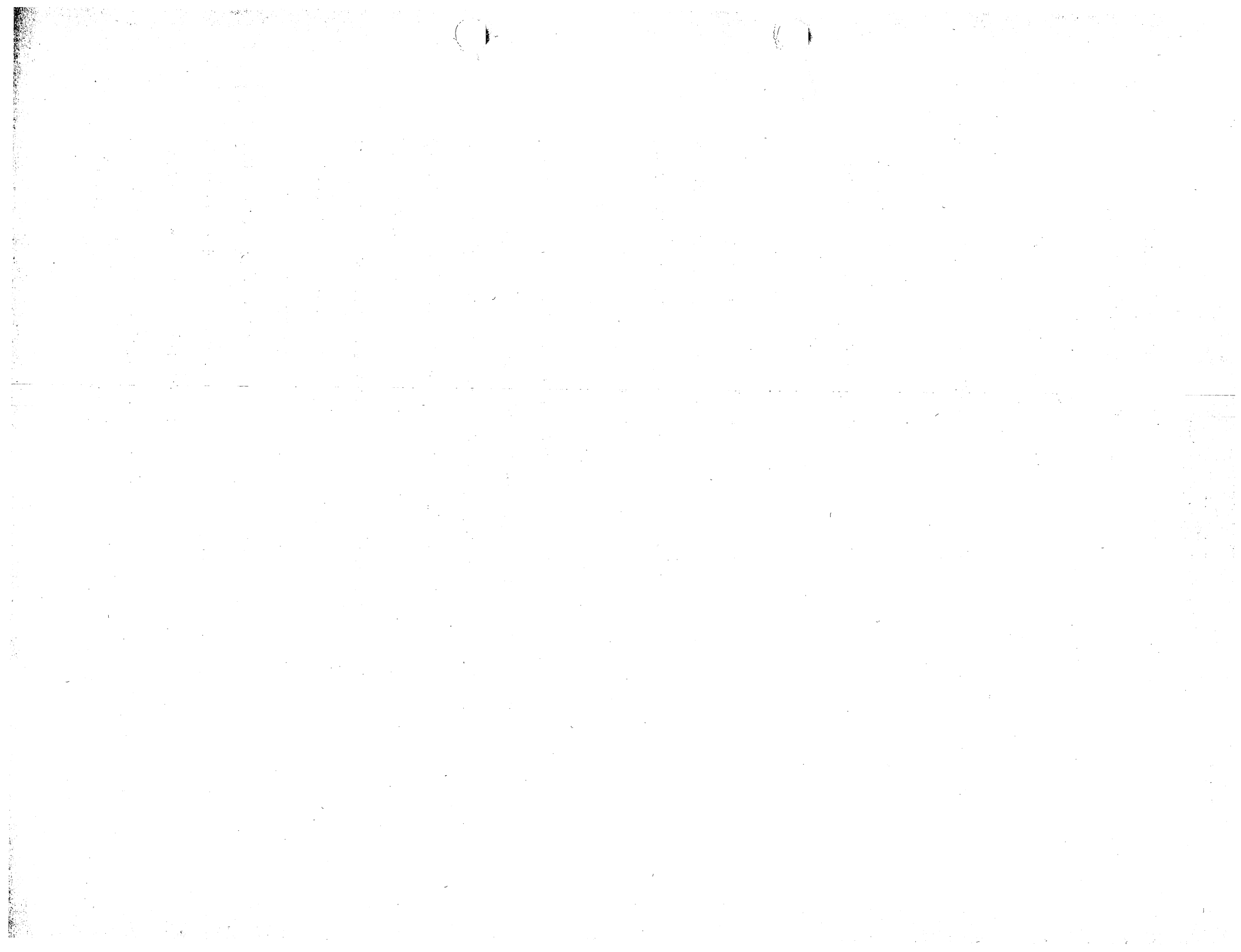
ASSEMBLYMAN KESSELHAUT: Judge, we plan to adjourn now for lunch. Will you be able to be available when we come back at say 1:30?

JUDGE HUGHES: Surely.

ASSEMBLYMAN KESSELHAUT: We will be able to ask Judge Hughes some further questions and Mr. Moore at 1:30.

JUDGE HUGHES: Mr. Moore and I will be both be back at 1:30.

(Adjourn for lunch.)



AFTERNOON SESSION

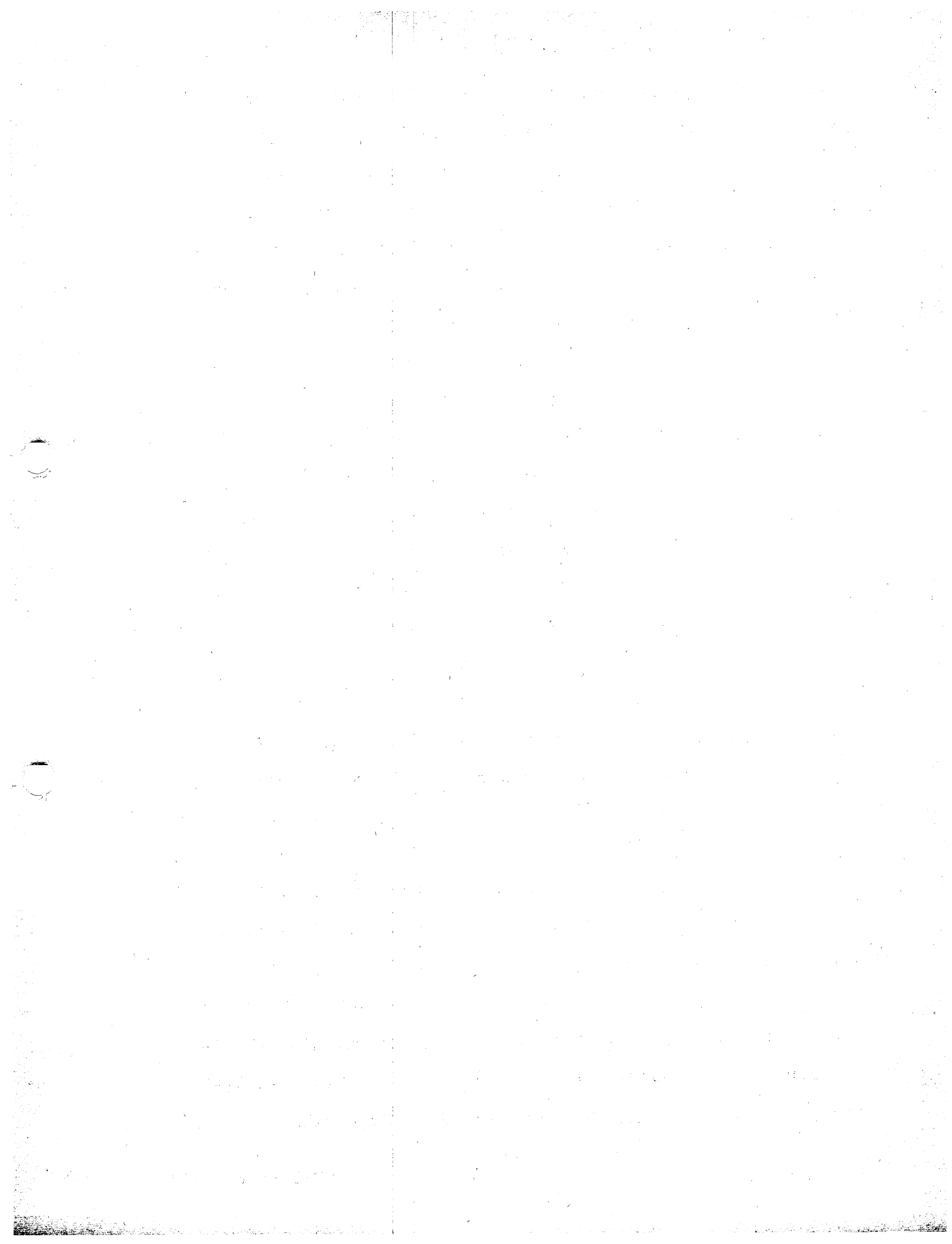
ASSEMBLYMAN J. EDWARD CRABIEL (THE CHAIRMAN): I will call the afternoon session of this hearing to order and resume with the further questioning of Judge Hughes. Are there any other questions for Judge Hughes right now?

DR. FLINK: Judge Hughes, I should like to ask you a few simple questions for the purpose of clarifying some portions of your written and oral testimony.

At the bottom of Page 1 of your written statement, you make the following observation: "Their freight revenue no longer is sufficient to subsidize the passenger deficits and competition from government supported carriers, particularly those on public highways..." We have heard this morning from the representatives of the Triple A that the carriers using public highways are in effect subsidizing other government services. Would you be good enough to give us your views on that because, obviously, the two views are diametrically opposed. One says that they are subsidizing, and you say they are being subsidized.

JUDGE HUGHES: Well, I think I should restrict my comment on that, Dr. Flink, to the reality that the State pays for the highways upon which the motor traffic flows, whereas the railroads pay for the highways, and through the nose I might say, upon which their traffic flows. And in that sense at least, there is this distortion or dislocation or imbalance, to use any one of those words - probably none is the right word - between the two types of carriage.

DR. FLINK: Now, on page 2 of your written statement, the second paragraph, you refer to an over-all deficit of



about thirty million dollars experienced by the nine New Jersey railroads in the first three-quarters of 1958. Do you happen to have the figures available on how much the railroads earned as net profit, if any, on their freight operations in New Jersey?

JUDGE HUGHES: I have not, Doctor, and I would not be surprised if Mr. Moore would have an idea of that figure.

DR. FLINK: I just wanted to get a general picture of what actually the traffic involved amounts to.

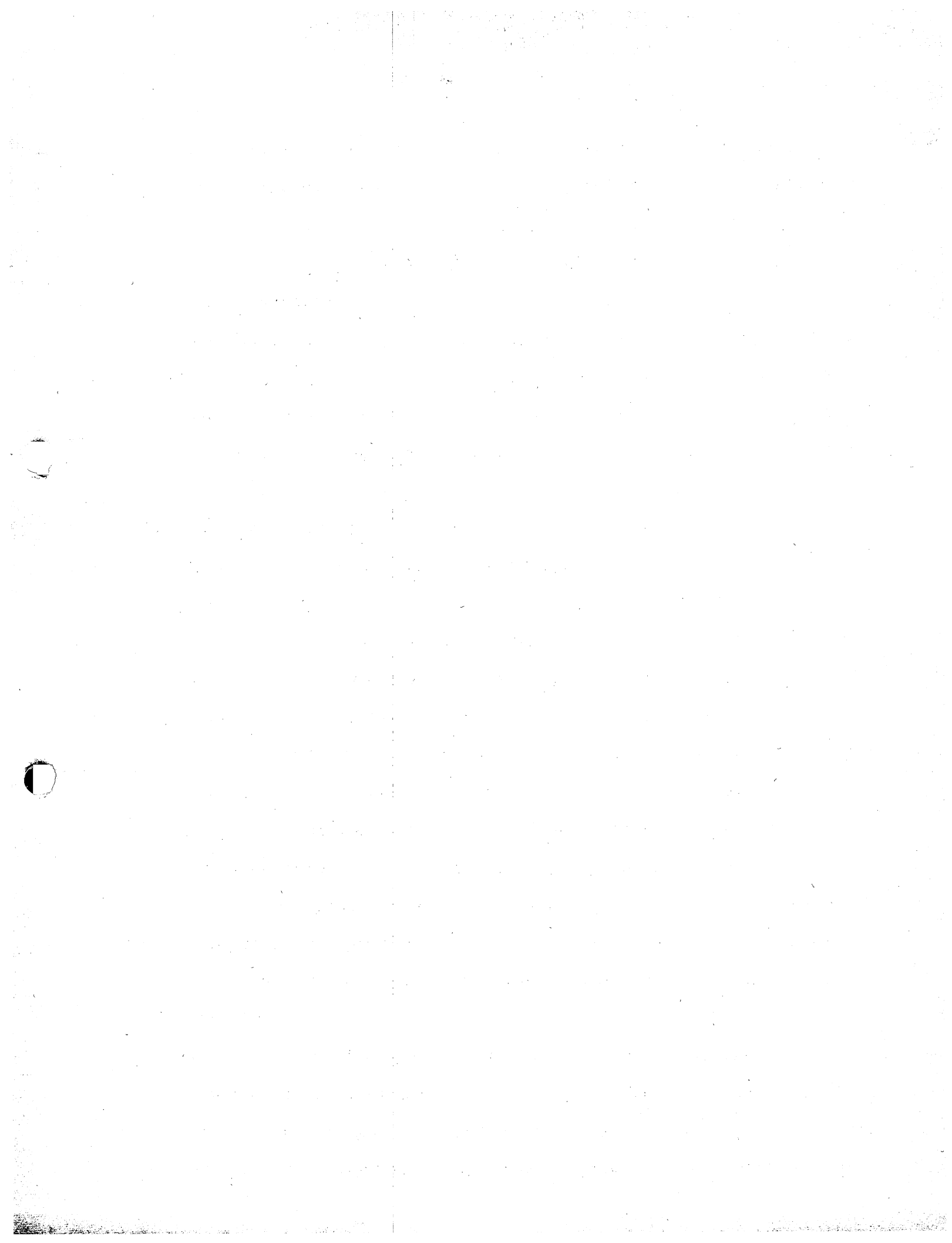
Now on page 3, in your opening line you stress, and I fully agree with you, the imperative need for some action now.

Then, in the last paragraph of the same page, you state that the bills, A-115 and S-50, provide for nothing more than detailed planning and negotiations with interested parties. In the course of your oral testimony, you furthermore volunteered the information that under A-115 there is a deadline of two years, that within two years the District would have to bring in a plan.

Now, as I read A-115, what it provides for is that the two States - this is on page 11, 4.3 - for a period of five years, each of the two States agrees to appropriate the sum of \$150,000.00 to the district, and that at the expiration of two years after the first meeting, either one of the States may withdraw.

JUDGE HUGHES: That's right, sir.

DR. FLINK: In effect, it is at least feasible for the district to plan, consider and negotiate for a period of five years rather than two. Is that correct, Judge Hughes?

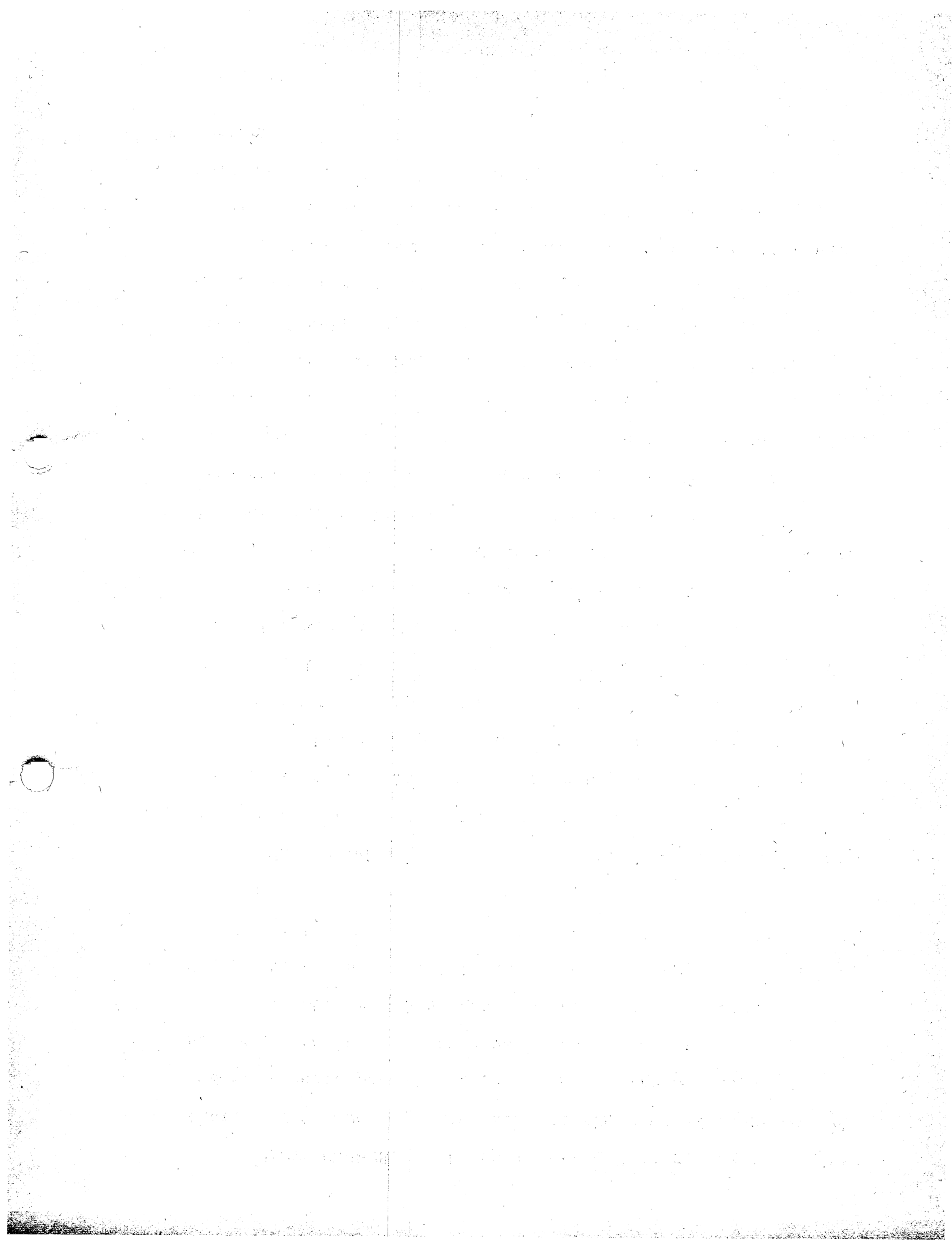


JUDGE HUGHES: It is legally, Doctor, but as against that, I think we must realize that there would be mounting and formidable pressure exerted on the Transit District not to be laggard in its development of a plan.

DR. FLINK: I appreciate that, but as the bill now stands there is no definitive deadline, because they must submit a plan within two years or the bill automatically expires.

JUDGE HUGHES: That's right, sir. My reference was to the power reserved to either of the States to jettison the plan if it wasn't forthcoming within two years.

DR. FLINK: Right. Then, Judge Hughes, you referred, and again I fully agree with you, to the fact that there is at least some dissension, both in New Jersey and New York, about the wisdom of A-115, and then you argued that if an amended bill were to be adopted by the New Jersey Assembly, and let's assume by the New Jersey Senate, and sent over to New York State, in such a case the eventuality was at least very strong that those who oppose A-115 would, to use the colloquial term, "go to work" on the Legislature and produce some delay. Now, granted - and I fully agree with you on that - that there is a mounting wave of doubt about the wisdom of A-115 at this moment, isn't it politically and otherwise wiser to face up to this fact, have these dissenting views expressed now rather than have them accumulate or bring pressure to bear on the District as a plan, and then have the whole thing explode two, three, or four years from now?



JUDGE HUGHES: No, I think not, Doctor. My view is that the certainty of disaster presented by the non-adoption of this district plan, or the non-creation of this district, as against the possibility of the eventual legislative disapproval of one or both of the States of the plan to be developed, leaves this Legislature with but one choice if, indeed, it wants to do something now and feels that it should do something now for the protection of the security of the public.

DR. FLINK: Now, then, Judge Hughes, you stressed, as did Senator O'Mara and Mr. Tuttle last Monday, that the bill provides for nothing more than detailed planning and negotiation, and you also elaborated in your written statement and in your oral testimony that the district would technically have carte blanc. It could examine anything it wanted as long as it stuck to the job at hand. Now, we do know as a matter of record that the MRTC spent five years, had a brigade at least, if not a regiment, of experts. Now they are going to get 32 amateurs, because that's all that they are going to be, who in turn will select from their own midst 5 quasi-amateurs, or 7, to function as a Board of Directors. Do you think it is reasonable to assume that these 7 people and whomever they are going to engage as their Executive Director will be able to not only examine all the plans that have been made, evaluate them, evolve new plans, examine those, negotiate in an atmosphere of tranquillity --

JUDGE HUGHES: May I tell you why I think that will happen, Dr. Flink? Once the Legislature of New Jersey



exhibits the decision to create this legally-constituted body through the adoption of this New York-New Jersey compact, avenues of assistance and cooperation which could never be available, for instance, to an emergency committee representing the Legislature or anything equivalent to the Transit Commission, will immediately come to the fore. For instance, I would imagine that the Port of New York Authority - this is just guessing, because I have no right to speak for it - foreseeing a possible new A-16 bill two or three years hence would be very prompt to make available to this Transit Commission the extensive studies which it says it has in its office of the transit problem and how to solve it, and I don't think the possibility is foreclosed that under the pressure of public opinion, which has made itself quite obvious in the course of these hearings, the Port Authority will guard against taking on the whole commutation problem by voluntarily engaging to take on a part of it. That would be my guess, and in a sense we are all guessing now except on one point, that a withdrawal from the immediate solution, or attempt at solution, of this transit problem by the Legislature of New Jersey is going to string out and prolong this dangerous problem for many years to come.

DR. FLINK: One more question, Judge Hughes, and that calls merely for an expression of opinion. In the light of the views expressed by representatives from many, if not most, New Jersey counties and the opinions reflected at our last hearing of New York's political administrator, do you believe it is likely that these counties or the representatives



of these counties will approach this problem with the degree of impartiality which this legislation implies since they are a priori almost dead-set against it?

JUDGE HUGHES: Except this, that I have the feeling, Dr. Flink, that without using the word "propaganda" or without in any way being critical of those who have from sincere motives spoken in the municipalities, in the counties, and in the various meetings against this legislation, that a great percentage of the opposition is based upon the untenable theory that the passage of this bill is the adoption of the district plan, that this Legislature retains no veto power, that it and its counties and municipalities of the State have no means of protection through the legislative process against the foisting upon it of an unsatisfactory district plan. All of those arguments are specious, and I don't doubt, however, that 99 per cent of the people objecting to this bill believe them to be true, but certainly a legislative committee reading this bill, seeing this veto power, being confident that the door is open to a rejection of an unsatisfactory or unfair plan, knows that this Legislature is committing itself by the adoption of this bill to nothing more than the creation of a legally-constituted body that may achieve some object and, if it doesn't, then the object won't be achieved.

DR. FLINK: Now I shall close with a leading question: Is it, then, your opinion that this Committee has performed an extremely valuable public service by studying this problem, holding these public hearings, and therefore crystallizing views and opinions that otherwise would have had no occasion to find expression and to be communicated to any group which

subsequently has to do the planning.

JUDGE HUGHES: Yes, sir. I have rarely seen more valuable service performed by any legislative committee.

DR. FLINK: Thank you, Judge Hughes.

CHAIRMAN CRABIEL: Are there any further questions?
(No response).

That will be all, Judge. Thank you very much. We will call Mr. E. T. Moore, President of the Jersey Central Lines.

MR. EARL T. MOORE: I am Earl Moore, President of the Central Railroad of New Jersey. As you know, I suspect, I don't have any prepared statement nor am I fortified with any large bag of statistics, but to the extent I can be helpful I certainly want to try to be.

ASSEMBLYMAN KESSELHAUT: I have some questions I want to ask you, Mr. Moore: I asked Judge Hughes and he deferred to you on two questions. First, Judge Hughes in his statement mentioned the fact that no one has ever approached the railroads to negotiate actual terms. My question is this: What have the railroads been doing among themselves, not individually to eliminate deficits in operation, but what have they done among themselves to eliminate competing facilities, duplicate terminals, trains that run at the same time along parallel lines possibly, things of that nature which may help reduce the over-all deficit of the railroads of New Jersey?

MR. MOORE: Well, of course, there is only a limited amount of duplicate facilities and duplicate operations, but as an outstanding example of the question you propose, the Erie and the Lackawanna, as you know, have consolidated their terminal facilities in Hoboken, and they

have consolidated their ferry operations. They were in a position to do that. Some other consolidations where there is not exactly a duplication, but where there might be a little bit more economy through consolidation, are prevented largely for two reasons: (1) a matter of money to effect them; (2) a matter of getting requisite approval. Nothing can be done along those lines without extended hearings and permission from regulatory commissions.

ASSEMBLYMAN KESSELHAUT: Well, now, do you anticipate that if a new agency is created and will negotiate with railroads regarding passenger service, we will see the elimination of the passenger operation from the railroads?

MR. MOORE: I wouldn't think so. I am not quite sure whether I understand your question. I assume that the district that we are talking about, or any agency that would be created to take over part of the passenger service would be confined to suburban commuter service and that, so far as any long-haul passenger service is concerned, that would still remain a problem for the railroads.

ASSEMBLYMAN KESSELHAUT: Do you feel that the railroads, if they met with this new authority by way of negotiation, by further elimination of competing facilities, and so on, could still handle this operation - I am talking about the commuter problem now - as a private matter without involving the public and paying the subsidy; that is, that the railroads themselves, if there still was a deficit, could handle the deficit out of their over-all revenues, freight, and so on?

MR. MOORE: It is very difficult to answer that unless we have in mind some precise plan, that some agency might say, "This is what the public needs," or "This is what is necessary from the standpoint of public necessity and convenience." This much can be said, however, that with developing a plan through some agency, public agency, it certainly would be possible in the over-all to reduce what is now the combined deficits of each of the railroads by adding each railroad's deficit together. It would not be that large a figure.

ASSEMBLYMAN KESSELHAUT: Now, when your freight rates are determined by, say, the ICC, don't they take into consideration not only your operations from freight but your over-all passenger operations, too, and the losses that you sustain on passenger operations?

MR. MOORE: They do to some extent but, unfortunately, no matter what you take into consideration in establishing freight rates and what freight rates you establish these days, the amount that the public is willing to pay the railroad for hauling freight is determined by competition and not by what the Interstate Commerce Commission says. In the last two or three freight rate increases, the railroads did not obtain actually anywhere near the additional gross revenue that they expected to obtain, simply because of diversion of traffic to other forms of transportation that are more favorably situated from the tax standpoint and from the standpoint of subsidy.

ASSEMBLYMAN KESSELHAUT: Well, if you eliminated the passenger deficit from the railroad operation and the commuter service, would that bring about a reduction in freight

rates?

MR. MOORE: Well, I wouldn't say that it would bring about an over-all reduction in freight rates. It would do this: In many instances the railroad, if it did not have this terrible loss to bear of the commuter passenger service, could afford to compete more favorably with other modes of transportation on certain items of freight traffic. In other words, it could afford to make some selective adjustment in freight rates.

ASSEMBLYMAN KESSELHAUT: I wonder if you would state for the record, Mr. Moore, what has been the general principle behind the keeping of the railroads in the passenger business even though they have been operating at deficits.

MR. MOORE: You mean, from a railroad man's viewpoint, I take it. Is that what you mean?

ASSEMBLYMAN KESSELHAUT: Well, no, from a governmental standpoint. Has it been on the basis that the railroads have had a monopoly along those lines and, therefore, as a public service, since they are hauling freight, the freight should make up the deficit of passengers? Is that the basis on which the railroads have been compelled to continue in the passenger service?

MR. MOORE: Well, I don't know that I can really explain this to you. The regulatory commissions sometimes seem rather inconsistent, but basically I would assume that the commissions are trying to keep the railroads furnishing the passenger service for the public needs just as long as the railroads are able to carry the load. I think we have reached the point now where that time is running out, and

I am sure that, regardless of policy, regardless of governmental regulations, in the final analysis the law of economics will prevail and not what some regulatory commission thinks ought to be done. If you can't produce the money to carry these losses, why you'll have to get out of some portion of the business.

ASSEMBLYMAN KESSELHAUT: You want to get out of the passenger service. To what extent, if any, would you give up your freight operations to the same railroad? That is, that would have to be short-haul freight.

MR. MOORE: Let me first explain that your first statement I don't think is exactly the situation, or perhaps not even what you had in mind. No railroad wants to get out of the passenger business if it can possibly operate and make some profit or cover at least its carrying charges and investment. The only reason that we say we ought to be relieved of this passenger service, or the deficit part of the passenger service, is because we no longer are able to do that under the requirements of the regulatory commission and, therefore, we say that if we are compelled to furnish an essential public service, we are willing to do that if somebody pays us what it costs to do it. Now, so far as giving up any freight operations, certainly if we have freight operations that are in the same category, we wouldn't mind losing them. But so long as we can operate freight service at a profit, that's what we are in business for.

ASSEMBLYMAN KESSELHAUT: But at the same time, would you think the railroads would consider transferring some of the profitable freight operations over to this new

agency, assuming the agency would have to run the deficit passenger operations? Would the railroads be willing to negotiate the sale of the profitable freight operations to help reduce the deficit of the new agency?

MR. MOORE: Well, I can't speak for any other railroad on a question of that kind except the Jersey Central. As for the Jersey Central, I would say, in direct answer to the question, the answer is no. But I would like to add to that, I wouldn't see what practical objective would be gained for either party; in other words, if freight profits would carry our passenger losses, we wouldn't be here talking about it. They don't. Now if we transfer the same freight profits as we are relieved of passenger losses, we are right where we were in the beginning. In addition to that, in the matter of economics there that is involved, I don't see how it would be practical to do it, as a practical matter. You can't turn over part of your freight operations. You do it all or nothing as I see it, because freight is of a nature that it doesn't travel between two points uniformly every day, such as commuters do, for example. It involves such complications that I wouldn't know how to approach it, frankly.

CHAIRMAN CRABIEL: Mr. Moore, the MRTC Report spends quite a bit of time talking about the decline in rail transport in building up their case, especially passengers. Could you tell me, so far as your own railroad is concerned, what is your density of traffic now compared to, say, 20 years ago?

MR. MOORE: Well, I have no available statistics, and this is strictly off the cuff, but I would estimate that we are not running more than about 50 per cent of the passenger trains today that we did 20 years ago.

CHAIRMAN CRABIEL: Well, now, are you talking about commuter trains or is that all your trains?

MR. MOORE: I am speaking now of all the trains. So far as commuter trains are concerned, they have not declined in that proportion, but they certainly must be down somewhere-- I would guess we wouldn't have more than 75 per cent of what we had 20 years ago.

CHAIRMAN CRABIEL: Well, now, there has been much said about the so-called ferry loss operation. What is the trend there so far as passengers are concerned?

MR. MOORE: Well, the trend so far as passengers are concerned, of course, is about on the same ratio as it is in the train service. However, the trend so far as losses are concerned in economics, the real money losses, that is improving in that we have been allowed to increase ferry fares. There is one item open on ferry fare increases at the moment, the outcome of which is uncertain, but if that particular item is approved, and that has to do with the fares on the Pennsylvania Railroad from Long Branch points - if that is approved as was originally intimated by the Commission, the Interstate Commerce Commission, then I will say that most of the ferries in New York Harbor, railroad ferries, are coming close to a break-even point, which is a big step forward since these reports were prepared.

CHAIRMAN CRABIEL: You have mentioned now your own railroad. From your knowledge, could you state that the commuters on all the railroads are down 25 per cent? Or is that an unfair question to ask you?

MR. MOORE: I wouldn't have those figures available.

CHAIRMAN CRABIEL: Well, Mr. Stichman is here of the Hudson and Manhattan, so I'll ask him when he comes on as to what his position is. My question is to you, if the commuter load is down, and it is evidently not down as much as the over-all passenger service - but if the commuter load is down, some consolidation of facilities certainly would reduce deficits and at the same time improve the operating revenues of whomever took the consolidation. Is that not true?

MR. MOORE: That is correct.

CHAIRMAN CRABIEL: Now, as of this moment, there is no regulatory agency that has the power to direct or negotiate with the railroads to consolidate, or can the PUC do that?

MR. MOORE: No, I do not think they can. I would like to put it another way. It works the opposite way, that the regulatory agents now available usually are some hindrance to consolidation rather than a help. I don't mean that the agencies themselves are, but the way they are set up, because they give due consideration to all the protests which always arise when you have some kind of a consolidation. The Erie and Lackawanna combined, of course, in their Hoboken Terminal after a long series of hearings before the Public Utility Commission, but so far as any



agency being available to take the lead or direct or in any way assist in the planning, there is none available now.

CHAIRMAN CRABIEL: Well, there are presently two crossings under the Hudson - the Pennsylvania and the Hudson and Manhattan, and there are presently half a dozen or more railroads that come into the Jersey side and utilize either those crossings or the ferries.

MR. MOORE: That's right.

CHAIRMAN CRABIEL: Now, is it practical in any way, for instance, to discontinue all ferry service and provide for proper connections so that the traffic from the railroads that are now using the ferries could be shunted into the two existing connections?

MR. MOORE: Well, I believe that in the first place it's possible to make much more intensive use of existing tunnel crossings of the river, and that goes for the H & M, to a lesser extent, but to some extent, for the Pennsylvania Railroad tubes, and of course, also, to some more extensive use perhaps for taking some rail passengers through the Port Authority tunnels by bus. So far as the ferries are concerned, there seems to be quite some indication that very shortly there will only be two railroad ferries remaining in operation in any event, and that is the Jersey Central and Lackawanna. The other two are being appealed to the Supreme Court and the outcome is maybe to some degree uncertain, but there isn't too much doubt in my mind about it.

CHAIRMAN CRABIEL: Well, so far as the Jersey Central is concerned, at the present moment they have no direct



connection with either the Hudson and Manhattan or the Pennsylvania Railroad. Is that right?

MR. MOORE: That is correct. All of our passengers are dependent entirely on our ferries.

CHAIRMAN CRABIEL: But if some transit commission or some group decided to build some sort of a terminal, a joint terminal perhaps, and could bring the Central Railroad into the Pennsylvania or into the Hudson and Manhattan, or into both, it would be a feasible operation if something like that could be done.

MR. MOORE: I believe that is something that definitely could be developed.

ASSEMBLYMAN FLYNN: Mr. Moore, a lot of people feel that the Port Authority should be made to take over the commuting service. Now what would your reaction be to the Port Authority assuming the commuter business?

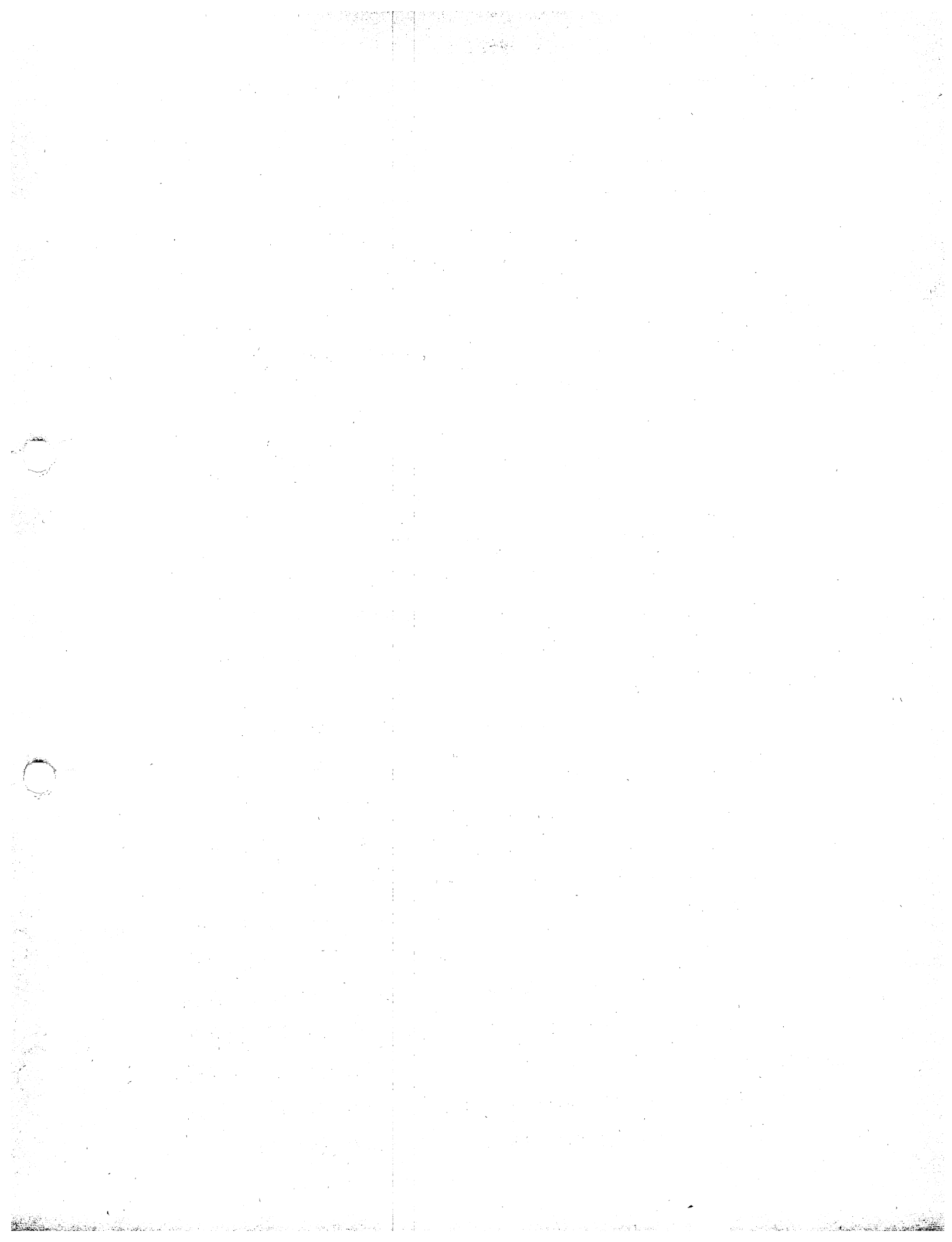
MR. MOORE: Well, after sitting here at these hearings for a couple of days, I get the impression that a lot of people would like to see something done here so long as they would not become involved in paying for it, and I suppose that's the underlying thought of those who are so strongly for the Port Authority. Now, so far as the railroad man is concerned, we must confine ourselves primarily to the statement that we no longer can carry the losses. Whether the Port Authority, or a Transit District, or the State, or someone else picks the tab for providing an essential public service that is operating at a loss, I don't think that it's for the railroad industry to decide.



ASSEMBLYMAN FLYNN: Well, Mr. Moore, assuming that the Port Authority was put upon to assume this responsibility, they would therefore have to assume a certain amount of the responsibility of running it, and they would have to turn and tell the railroad people how this was going to be done. Now I heard cooperation mentioned this morning. It's a little cloudy with me how you would get cooperation with the Port Authority telling the railroad people how to run their business. I think they might cooperate each other right out of business.

MR. MOORE: I think, so far as the Port Authority or any other authority telling the railroads how to run a railroad, that is missing the point slightly. It depends, of course, entirely on what kind of a scheme you are thinking about or think will be worked out as a practical matter, but my concept has always been that the railroad people would provide the technical know-how of running the trains and maintaining the facilities, but that someone would tell them how many trains to operate, what stops to make, what fares to charge, and things of that type- - I never assumed that a Transit District or a Port Authority or anyone else would go out there and tell us what operating rules to work under or what signals or derails we were to provide and the like.

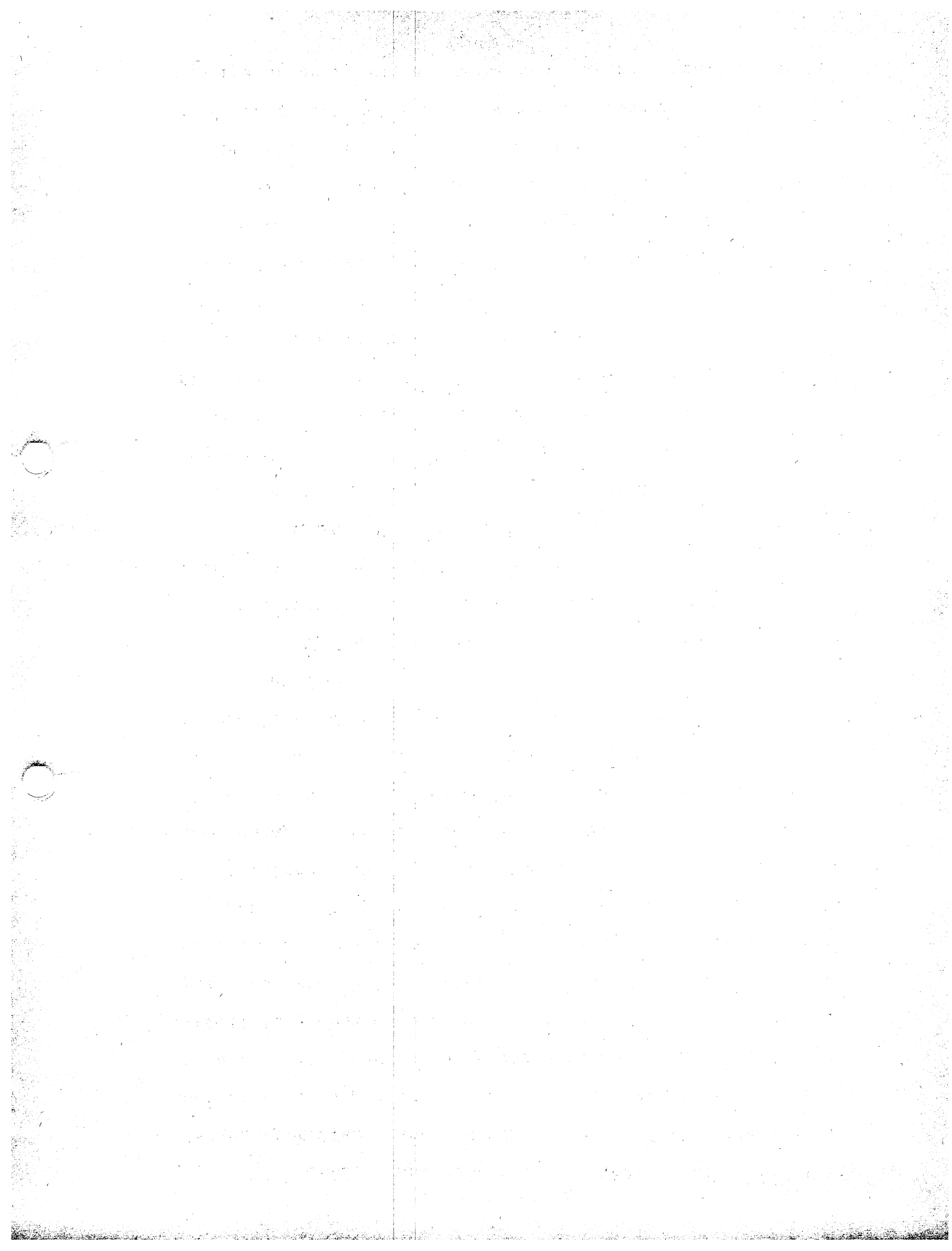
ASSEMBLYMAN FLYNN: Well, Mr. Moore, if the railroads in this area that are involved in the local commuting in the districts we are talking of, could go to the PUC and get permission to discontinue certain trains and work out an agreement, could the transportation system be solved this way?



MR. MOORE: Not completely. First of all, to get the maximum efficiency and the most economical operation, it is necessary to spend capital and substantial capital - I don't mean for a loop under the river, but some consolidation of facilities, connections and the like - and the railroads in this area are in no position to put out new dollars for a business that is already losing millions annually and under the present setup with not much opportunity of breaking even. In addition to that, most of the equipment that is used in the commuter service, with the exception of the Diesel locomotives which are relatively new, is quite old and it is going to need replacement. Those capital funds are simply not available to the railroads, regardless of how free a hand we are given to operate.

ASSEMBLYMAN FLYNN: Then you would say that the only way that the Port Authority could help would not be in administration, but just to pick up the check?

MR. MOORE: I would say just to pick up the check. I would say the Port Authority could be quite helpful in engineering ability, in financing; even though they got their carrying charges paid for, they have access to financing at much better rates than the railroads, and, of course, I would think that would be true of a transit district. It depends on the credit of the agency as to how well you can do financially or in financing for new capital, as you know. I think this: We talk about this cooperation and how would we get cooperation. I think just as soon as there is some determination, first, as to the amount of the deficit, which has never been cleared up and can't be cleared up until we have in mind a fairly definite idea of



a method of operation and a plan, if you want to call it a plan - when the deficit feature is clarified and, secondly, when it's clarified, how that deficit will be met - we will get plenty of cooperation between the railroads, the Port Authority, and most everybody else, but until those things are clarified, everybody is running away from it, and understandably so.

ASSEMBLYMAN FLYNN: I have no further questions.
Thank you, Mr. Moore.

CHAIRMAN CRABIEL: Is there anything further?

ASSEMBLYMAN RONCO: Mr. Moore, assuming that all the requests that were made of the railroads over the past few years were forthcoming from the regulatory commission, would the railroads then be operating a non-deficit commuter rail service?

MR. MOORE: No, sir. They would still have a deficit.

ASSEMBLYMAN RONCO: So then the answer is what, Mr. Moore? State subsidy?

MR. MOORE: The answer is that if the commuter service furnished by the rails is essential in the public interest, someone other than the railroads must help to pay for it. Now, whether that be the commuters themselves, the communities that are benefited, or some other means of obtaining revenue, I'm afraid that's a political question that I am not in a position to answer.

ASSEMBLYMAN RONCO: But you do say, regardless of the fact that all the requests were granted, you still would be operating at a deficit?

MR. MOORE: That's right. You might, of course, imply

by that question, "Why didn't we ask for more? Why didn't we ask for enough so that we wouldn't have a deficit?" The fact of the matter, in our judgment, is that if we asked for the amount of fares that we really need, and we may have to come to that, in our case it's about an 85 per cent increase in the rail fares to break even on an out-of-pocket basis. If we asked for that, I don't believe that a great majority of the commuters could pay that bill, so you would have a disruption of your economic situation in this area. The people who had jobs in New York would have to move to New York or quit their jobs, and that's the kind of thing that is going to happen. Now, whether it's going to happen suddenly some day because of some railroad saying tomorrow, "We can't operate, we can't afford to operate passenger service," such as the Lehigh Valley has said, although they don't carry too many commuters - but that could happen to a commuting road. Now, whether we take steps now to avoid that kind of a situation, or whether we let this thing go gradually - maybe it will go gradually and maybe it will be not so painful if it goes gradually - but if there's a sudden chaotic situation here - I need not predict this to you boys, you know it - there's going to be terrific pressure to get something done quickly, and I'm afraid we're going to get something hastily which may not be as effective as if we get started now.

ASSEMBLYMAN RONCO: I have no further questions.

ASSEMBLYMAN WILSON: One question, Mr. Moore; I don't know whether you know the answer or not. But do you know if it's possible for your Central Railroad cars to fit into the Hudson and Manhattan Tube?



MR. MOORE: No, they will not, not close, even.

ASSEMBLYMAN WILSON: They wouldn't go through?

MR. MOORE: No. It's a question of changing passengers, as far as the railroads are concerned, to make use of the H & M facilities or of designing new cars that can be used on both tracks.

ASSEMBLYMAN WILSON: That's what I'm getting at. All the railroads seem to say their equipment is very old and has to be replaced, and if it's at that stage you could put a Hudson & Manhattan type car on your railroads, and I understand the track gages are the same.

MR. MOORE: The track gage is the same.

ASSEMBLYMAN WILSON: So it will be a matter of new equipment, which you have to buy anyhow, and probably at less cost than the present equipment you have, and with the proper facilities for joining the Lackawanna and Central into the Hudson & Manhattan Tubes, we could get over there, I think, at a minimum cost. There are many problems to be worked out on this, and I'm not an engineer, but it seems feasible that if you people have to replace your equipment and you can make equipment that will fit into those Tubes going over, it might be something to think about, where you might cooperate and aid in solving this problem.

MR. MOORE: It involves a lot of technical problems, but I am also convinced that they are problems that lend themselves to a solution and that they can be solved. It's not easy, but it can be done.

ASSEMBLYMAN WILSON: Thank you.

CHAIRMAN CRABIEL: That will be all, Mr. Moore, and thank you.

I will call Mr. Herman Stichman of the Hudson and Manhattan Railroad.

MR. HERMAN STICHMAN: My name is Herman T. Stichman and I am Trustee of the Hudson and Manhattan Railroad and am probably the only bankrupt in the room. When I say I'm the only bankrupt, I think that's of interest here because, as I told the Chairman, I had to hurry back to my office because I don't know from day to day whether we're going to continue running or not. One way to make sure that we would continue running is if you would only pass the tax exemption bill that I tried to get introduced and that we have had passed in New York State.

Now, as I told Assemblyman Crabiel when he called me last week, I didn't come to the hearing, because I didn't want to be a volunteer. I don't want to take a position for or against any of the bills, but I do want to offer you certain facts that I think may be of interest in shaping your decisions. (1) I want to start off with something that Dr. Flink has been into. These hearings are not only essential; they are probably about 27 years overdue. When the original compact between New York and New Jersey was signed and the original legislation was enacted implementing that compact, it was the intention of the framers of the compact and the legislators that there should be one agency that was to have to do with all transportation between the States, whether it was transportation of freight or of persons. That job has not been done.

Now, the second point that I would like to make, and, as I say, I am not for or against either bill or any of

the bills, is that no agency can exist, public or private, to carry on commuter transportation except the Port of New York Authority. The reason for that is that it has the power to strangle, to turn off, or to turn on the flow of passengers to rail traffic to any interstate commuting line; that is, all it has to do is build more vehicular crossings or reduce its commutation rate for cars still further and it will strangle the flow of traffic, not merely for the Tubes but for any successor agency, so that no agency, public or private, can exist without the coordination of the Port of New York Authority.

Now, I haven't reached the point as to whether or not it should be liable for deficits, but you just can't get away from that point.

I saw reported in the press a statement by an Executive of the Port of New York Authority that "saddling it," as I believe he termed it, with any deficit might mean an increase in the Port Authority fares of seventy-five cents. And, as the public read it, one would believe that presently everybody is paying fifty cents. Well, the thing that has ruined the Hudson Tubes and is ruining other commuting railroads is not the fifty-cent fare, it's the twenty-five cent fare that the Port Authority permits even during rush commuter hours; that is, during the most crowded periods of the morning or of the afternoon. I am not against the commutation ticket but it should be restricted to non-rush hour periods.

Now much of what I was going to say by way of preliminary has been answered. I do want to emphasize again, as I say, that I am not for or against either bill, but I am a court-appointed trustee, so I do feel that I should

state what views I may have. That's why you invited me here.

Judge Hughes, a learned and distinguished gentleman, said, on the one hand, that you must take action now; on the other hand, he said, in response to a question from Dr. Flink, I believe, that the action might be postponed under the bill which he recommends for two, three, four, or five years. Let me say to you as the only bankrupt here, we can't exist for two, three, four, or five years. I can't say that we will exist for the next 90 days unless we get the tax relief from the New Jersey Legislature. We've already gotten the bill passed in the New York State Legislature, but it's contingent on similar action here.

So it would seem to me that we have had an agency, the Metropolitan Rapid Transit Commission, which for about three years has been working with funds provided by the Port of New York Authority, and it has made tremendous studies. What has it come up with, at the expense of a million one hundred thousand dollars? A recommendation that further studies be made. Now, it seem to me that here we have represented gentlemen who can take the work already done by the engineers employed at that great expense, a million one hundred thousand dollars - eight hundred thousand put up by the Metropolitan Rapid Transit Commission. You can have your experts, Dr. Flink and others, study those - he has already done it; you can make your decisions now as to what you want done, whether you think it should be a district or whether the Port Authority should carry some part of the burden. It doesn't necessarily mean - not that I want to cross swords with Assemblyman Musto - that the Port of New York Authority

must be liable or must pledge all its resources to pay any deficits. The Port of New York Authority may be merely the coordinating agency, or it may merely contribute from its great reserves to the capital cost of the connections which you questioned Mr. Moore about, but it must play some part here. So you see, while I don't favor or oppose any bill, I think you have all the facts before you now so that you can take action.

Now, questions were asked about what the effect of the Port of New York Authority crossings has been on railroad transportation. Well, let me tell you that shortly after this compact was signed and the legislation introduced, the railroads carried about 92 per cent of the traffic that was in 1925. In 1955 - and these are MRTC figures - they carried 33 per cent of the traffic. Now, let's take our own case of the Hudson Tubes, the bankrupts. In 1927, we carried 113,000,000 passengers. The Port of New York Authority, the duty of which was to coordinate transportation - of course, that's for passengers along with freight - opened the Holland Tunnel to vehicular traffic in November of 1927, and in October of 1931 it opened the George Washington Bridge. By 1932 our traffic has dropped from 113,000,000 to 75,000,000. So you can see what effect the Port of New York Authority has had on our traffic.

It opened the Lincoln Tunnel, the first tube, in December of 1937. By 1940 our traffic had dropped to 65,000,000. The second tube of the Lincoln Tunnel was opened by the Port Authority in February of 1945, and its bus terminal was opened in December of 1950. By 1950 our

traffic dropped to 53,000,000. In 1954 it was 37,000,000. Today it's about 31,000,000. So we have lost 63 per cent of our traffic to the Port of New York Authority, to its crossings, and it was established to improve and better commuter transit back and forth. We now carry about 27 per cent of the traffic that we once did.

Now let me comment a little bit about some of the things that were said by the representatives of the Automobile Clubs here this morning. They objected strenuously to vehicular traffic paying any more than, as they say, the cost of amortizing the bonds on the river crossings built by the Port of New York Authority. The fact is that the railroads, through the taxation on their facilities, contribute to all public costs. They contribute to the cost of the roads, they contribute to the cost of the services that the Port of New York Authority crossings enjoy without paying any taxation for them. The railroads contribute to the cost of police and fire and educational services in each town in the State. The Port of New York Authority, through its crossings - vehicular traffic - doesn't contribute anything. They are tax exempt. And they say that they don't want to carry the railroads. As a matter of fact, they are being carried by the railroads today - the Port Authority is - among other things.

Now, one of the gentlemen, I think it was Mr. Quinn, referred to the great shopping centers outside the towns, and he said if it weren't for vehicular traffic they would close. Well, the fact of the matter is that those great shopping centers pay no part of the cost of municipal services in the towns on which they feed, and it might be

a very good thing if they returned to the towns, those businesses, and made it possible for those municipalities to have better schools and better roads and better fire houses. Those millions of dollars that are being spent in the shopping centers, many of them - I have nothing against my own State - but many of those dollars come back to New York corporations. They don't go to New Jersey businesses.

Now, you can't reverse that trend, but I merely want to show you the other side of the coin.

One other thing - and here I may be a little afield, and I can't help as a lawyer and as a one-time public official getting into this. I read in the press, and as a matter of fact it's been repeated by representatives of the Metropolitan Rapid Transit Commission - I read in the press that a representative of the Port of New York Authority said that the Port Authority cannot and will not take on the job. Now, that's the first time that I've heard a governmental agency existing by virtue of legislative mandate saying it cannot, because it can if it's given the power, and then adding that it will not. It seems to me, when I held public office if I told the Governor of New York State that I would not carry out statutory functions, the alternative would be very clear. I would have had to leave office. And it seems to me that if this honorable body were to say that the Port Authority should do something - I don't say carry the deficits, or I don't say that it should stand liable for our railroad deficits, or all the deficits should be pledged - but if it's given any power and any duty to contribute through its great reserves, which I'm told may amount to hundreds of millions of dollars - contribute to these capital costs, if it

refuses and says it will not - it can no longer say it cannot - then, it would seem to me, that men could be found who would carry out the Legislature's mandate. It seems to me to be that simple.

Then, on another aspect, it would seem to me - and I have no quarrel with the railroads, including my own railroad - that it's probably a better thing not to require any agency to subsidize all the losses of the railroads or their claimed losses from passenger operations. That's too big a blank check, and what we would really be doing is underwriting perhaps the inefficiency of the railroads. Now, the railroads have said from time to time that they don't want the commuter business. I believe I am quoting Mr. Earl T. Moore correctly - he's a very good friend of mine and I don't want to misquote him - when I say that he told me as Trustee of the Hudson and Manhattan Railroad that I would be welcome to all his commuter business down as far as Raritan, and he would give me the right to run over his tracks for a dollar a year. Now, if the New Jersey railroads are losing money on passenger commuter operations, why would it not be possible for them to turn over the right to use their tracks to some central body, whether it is a subsidiary of the Port of New York Authority - the Port of New York Authority not being liable for all the losses - or some other agency, but it must be with the coordination of the Port of New York Authority. In that way, you would have to have a central agency running this entire operation of bringing the commuter in; there must be capital grants to electrify the roads that are not electrified and to put in a new signaling system and new equipment. But I visualize that the loss.

from a unified system would be quite small, it would be minimal, it would nowhere nearly approach the \$20 million that has been talked about. The system that I propose, and I propose it to you gentlemen and I intend to send you something in writing this week - I regret that I don't have it available here today - would make the maximum use of existing facilities. We would take the Hudson Tubes as the nucleus. As one of the gentlemen brought out here, our cars, the new cars that we have on the Hudson Tubes, the new air-conditioned cars, and they're the most modern cars in rapid transit service in the world. I say that very modestly. We have the latest improvements. They are better than cars on the New York City Subway System. They're better than cars in the Chicago Transit System, or in Boston. Those cars can run on any New Jersey Railroad. They can run on the Lexington Avenue line of the New York City Subway System and they can run on the Seventh Avenue Line of the City Transit System. As a matter of fact, they can run on the Independent or the BMT Lines, because the gauge is all the same. Our cars are the same width as the Lexington Avenue Line and the Seventh Avenue Line. They are not as wide as the BMT and Independent Lines but by construction of a gauntlet track you can bring them right up to the platform. But you won't need that because what New Jersey commuters are interested in largely is getting to Wall Street and getting to 42nd Street. The cars could run right up Lexington Avenue, up to Pelham, as a matter of fact. Or they could run on Broadway, Seventh Avenue, - up to Seventh Avenue, and so on up.

Now, the way to compete with buses and vehicles, as I think we must compete because you men just can't find the money

to build all the tunnels and all the roads that would be needed if the rails closed down, if the Hudson Tubes closed down, as we're in imminent danger of doing. The way to get the commuter back to rail transit is to give the commuter what he wants, namely, a single ride from his suburban home town to his office or employment district. And that can be done, as I say, by using cars of the latest design, as we have, and starting them in Raritan, where Mr. Moore would like us to begin, and going right through to Communipaw. And there a connection can be built with the Hudson Tubes at a cost of about four and a half million dollars. And then going right through the Hudson Tubes to Grand Central or farther. Or they can go to Times Square.

Now, I do have here some maps that show the system that I have in mind, which I will distribute in just a minute to you. That would be the Jersey Central.

Now, we don't connect today with the New York City Subway System. But it is possible to construct a connection from the Hudson Tubes Terminal, at Courtland Street, to the local line of the Lexington Avenue line. It's only 3700 feet. And I have checked with the City Transit System within the last three weeks. Our cars could physically connect with the local tracks of the Lexington Avenue Line. Our traffic would be going uptown in the morning - and there is no uptown traffic, practically, on the local tracks of the IRT there because it ends at City Hall where very few people live. So there would be no interference. And when we come down at night, with the rush-hour traffic, Wall Streeters are going uptown. So we'd come down on the local tracks. So there is no conflict there. And the General Manager of the New York City Transit System, within the last two weeks,

told me that that was entirely feasible. As a matter of fact, when I tried to explain to him the system that we would use, he said, "Look, I lived in it, I used to work for the Lehigh. I lived in Jersey City and you don't have to explain it to me. I'm all for it. It's the sensible thing to do."

We have existing tracts now, from Communipaw over, which need to be modernized.

Now, so far as the Erie and the Lackawanna and the Susquehanna are concerned, we presently don't connect with them at Hoboken but there is just a short walk through there. Those ferries could be closed. They presently carry, the Jersey Central Ferries, as I believe, about seven and a half million passengers. The Lackawanna carries, together with the Erie - but it's really the Lackawanna, they have a joint service - around ten million. The Erie still brings a few passengers over from Erie Station, on its northern branch, but the court just held that it could close that ferry down.

Now, we could either connect at Hoboken or we could intercept the Erie west of Journal Square, as will appear on this map. There are alternates. But a loop system could be devised that would be much more efficient than the one proposed by the Metropolitan Rapid Transit Commission.

Now, some people may say, "Why do you bring up the Metropolitan Rapid Transit Commission loop system?" which provided for all new construction at a cost which, in my opinion, would be close to three-quarters of a billion dollars. I think they said that they could do it for about \$600 million. Originally it was \$400 million, then it was \$500 million and I think it ended up around \$600 million.

Our cost would be only a fraction of that amount.

Now, we would make maximum use of all the facilities, including those of the railroads, and the cost that I propose for our system would relieve the New Jersey Railroads of their commuter liabilities, which the MRTC plan would not.

So far as the West Shore is concerned - and that's a matter of great moment today in view of the decision by the three-man court in Newark, permitting them to close their ferries - we could make connection there at West Shore transfer, as this map will show, and those commuters could come down on the New York-Susquehanna and Erie tracks after they have been electrified.

CHAIRMAN CRABIEL: May we have the maps, please?

MR. STICHMAN: Yes. (Maps given to Committees.)

Now, one important thing and one reason why I am a little afraid of the proposal about setting up this District, - on the one hand, we are told by -- and still I don't oppose the Bill - we are told by the MRTC that, if you set up the District, there's nothing inconsistent between doing that and, finally, imposing some duty on the Port of New York Authority. But still representatives of the Metropolitan Rapid Transit Commission go around the State saying that the Port Authority is not the agency to take it on and the learned Dr. Miller, who is a very learned man, in his monograph, paid for out of the funds of the Port of New York Authority and partly by the State, makes a case that the Port of New York Authority shouldn't be given the duty. I can't understand why the MRTC is so strong against the Port of New York Authority being given some duty here. So I am just a little bit afraid that, if the District is set up, we may have more arguments from the Metropolitan Rapid

Transit Commission that the Port of New York Authority shouldn't be given any duties.

Now, I believe that you are all familiar, from the writings of Dr. Flink and probably from your own research, with what the intention of the original framers of the Compact was. After telling about better coordination of transportation being essential, it sets up the Port Authority and says that, "It shall constitute a body, both corporate and politic, with full power and authority to purchase, construct, lease, and/or operate any terminal or transportation facility within said District." And the legislation goes on, and the compact goes on to say, "Transportation facility shall include facilities for the transportation or carriage of persons or property." That is specifically in the legislation and in the Compact.

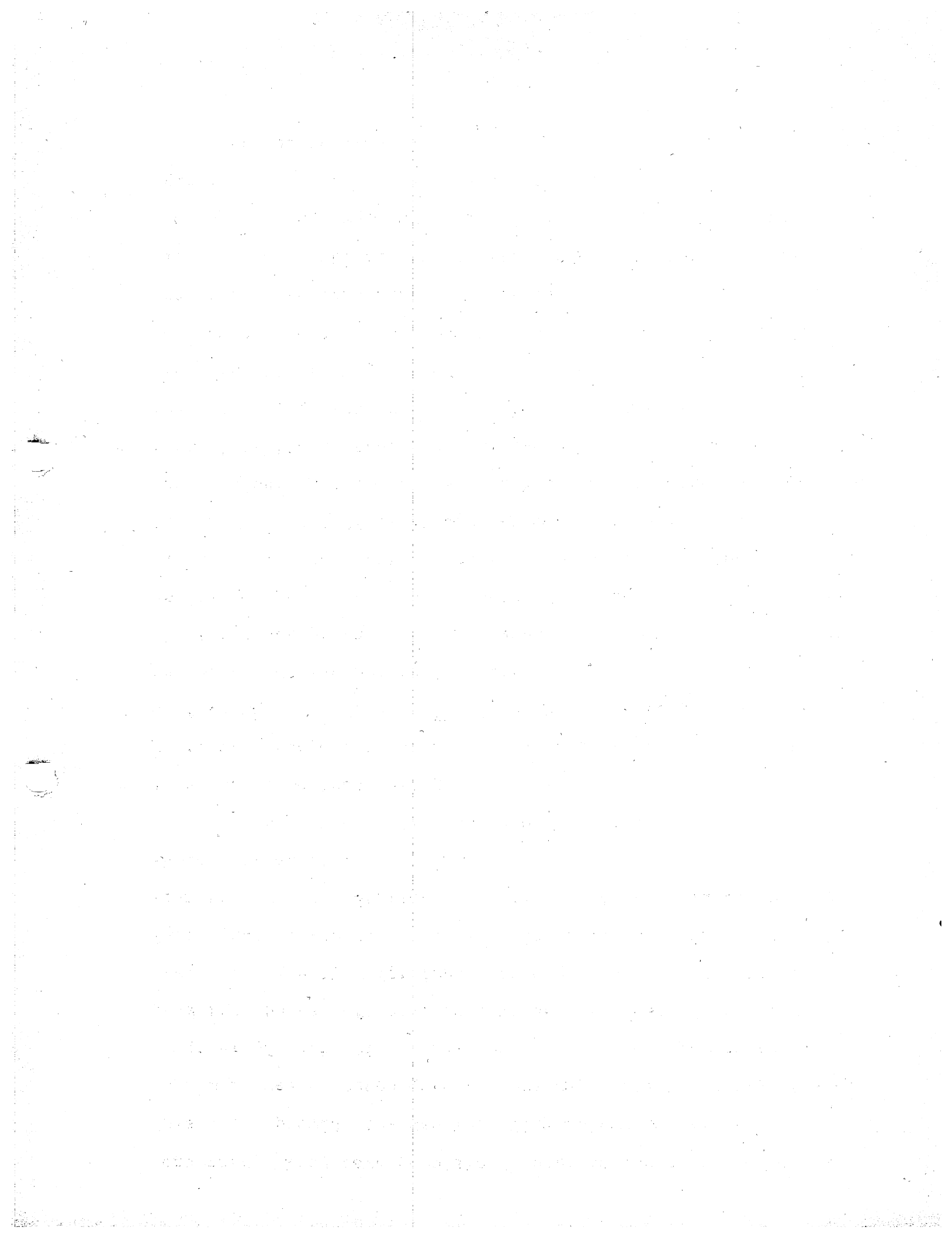
Now, the Port of New York Authority, which was established for the purpose of improving the progress of municipalities in the two states, by failing to do its statutory duty has contributed to the traffic maelstroms in New York and in other municipalities in New Jersey by subsidizing the entry of millions of passenger vehicles which city streets can't carry. It has been responsible for the migration of thousands of middle-income families to the suburbs, and not only from New York to New Jersey but from New Jersey outside municipal limits. It has induced shopping and industry to move outside the cities. And it has prevented the railroads from improving their commuter services because of losses of passengers in subsidized vehicular crossings.

Now, one other thing. I mentioned the New York City Subway System with which you gentlemen are not directly

concerned. They have complained about losses of passengers. This would provide the New York City Subway System with much more needed revenues. If some way could be provided, - as a matter of fact, if the railroads in New Jersey were to be paid for the use of their facilities, and most of them say they will give them for free, you could have a division of fares just as you have divisions of fares today on trains going from Pennsylvania Station to Florida. There would be no problem about that at all.

So, I say, that while not favoring or opposing any bill, it seems to me that this group, here and now, after three years of research, doesn't need to wait for two, three, four or five more years, - as Dr. Flink has phrased it - of more research. We may not be in existence. You read the other day about the Lehigh Valley which wants to commit suicide, so far as its passenger traffic is concerned. The railroads have been given a temporary lease on life by improvement in their freight and this mail windfall which they are now using to pay their losses. But this thing has been kicked around enough. It seems to me that the Governors of the two States and the leaders of the Legislature should get everybody together, the Port of New York Authority, the heads of the railroads, and knock a few heads together and come up today, not three or five years from now, with some kind of a unified rapid transit plan which will take away the burden on city streets, on public treasuries, and improve business, commerce and industry by putting rapid transit back where it belongs, on the rails.

Thank you very much.



CHAIRMAN CRABIEL: Are there any questions?

MR. KESSELHAUT: Mr. Stichman, this plan that you have been presented -- of course, up to now we have been considering who should do the job, in the two bills, rather than what should be done. This is, I think, the first actual proposal that we should decide now the type of loop system that should be enacted. This plan of yours, is this something new or was this presented to MRTC before they came out with their report?

MR. STICHMAN: A forerunner of this was presented to the MRTC. It has been perfected since. As originally presented, it didn't provide for a single ride, uninterrupted ride, from suburban home towns to New York City. They had to transfer. This now provides for an uninterrupted ride.

MR. KESSELHAUT: And is it your proposal that the Hudson & Manhattan should run this, or should the new bi-state Agency run it by taking over all these facilities?

MR. STICHMAN: I think it has to be a public agency, sir. I did mention a forerunner of this at another meeting, but this is the latest that I have. I think it's got to be a public agency and I think the Port of New York Authority must coordinate it because, as I say, it can kill off this by dropping its fares.

MR. KESSELHAUT: Well, you feel then that if we adopted the bi-state district bill and assume that we set up a new agency, this agency then could, within the framework of the system that you have set forth here, operate it, not the H&M. The H&M would what? go out of business and then turn over their facilities to the new agency? Is that what you contemplate?

MR. STICHMAN: I think a public agency should take over, yes.

The Hudson Tubes might be made into a public agency but I think that would create certain confusion. I think it should be a new public agency, whether it is a subsidiary of the Port of New York Authority or any other agency. I really don't know.

ASSEMBLYMAN KESSELHAUT: Do you have any projections of revenues, whether this would still be a deficit operation?

MR. STICHMAN: Well, let me say this, sir, that in 1957 the Hudson Tubes did lose a little over a million dollars, that was because we had a month long strike, unfortunately; this year we will not lose cash but we will not have enough money to pay even our depreciation. However, the ferries carry - if you include the West Shore Ferries - about - about eighteen and a half million passengers. The fares on the ferries are now up to 20 and 25¢. I don't know whether they are all 25¢ but they are pointing that way now. If 90% of the passengers came to the Hudson Tubes, or whatever the new name would be, that would be \$4 million additional gross revenue. That would probably turn itself into about \$2 million of profit. That operation would be in the black. It would be fairly well in the black. Now, just to turn myself into a greater salesman, a new agency, a public agency, would have to have some quarters in which to carry on business. If the Hudson Terminal buildings were taken over, as well as the tubes, they'd make money by reason of the profit received from closing the ferries, if the passengers came to the Hudson Tubes, and the profit from the buildings if those were taken over by a public agency, there would be enough throw-off to service almost a hundred million dollars worth of bonds, which would go a long way toward making this a self-sustaining agency. But not completely so,

sir, because it would cost about \$24 or \$25 million dollars to build the connections between the Hudson Tubes and the Lexington Avenue line; it would cost four and a half million to build it between the Jersey Central and the Hudson Tubes at Communipaw, to reconstruct that existing line. You also have to put in a signaling system, you see, and you have to electrify, in part. Now, one other criticism I have of the findings of the MRTC - they are all friends of mine. As a matter of fact, the Co-Chairman is an old Chief of mine. - but they have said that the Hudson Tubes doesn't have the capacity to carry these passengers if these ferries close. That just simply is not so. Presently, today, without any improvements, during the rush hour, taking a ten minute period during the rush hour, no person would be left standing. Not everyone would get on the train of his choice during this ten minute crowded peak - say, from 8:19 to 8:29. But I have waited on 86th Street and Lexington Avenue and let several trains go by. You just simply can't have enough equipment to move everybody who presents himself in a five minute period, and not have terrific losses because your equipment would then be of such great number. But if that connection were built between us and the Lexington Avenue line of the subway so that we could run ten-car trains instead of eight-car trains, and our tracks at Hoboken - our station there were lengthened, no one would wait even during a three minute period; we could carry everybody without going into all this great new construction, you see. So you can make maximum use of present facilities and we can do the job.

2. The second part of the document focuses on the implementation of the proposed changes. It details the steps involved in the rollout process, from initial planning to final execution. This section also addresses potential challenges and provides strategies to overcome them, ensuring a smooth transition to the new system.

3. The third part of the document discusses the impact of the changes on the organization's overall performance. It presents data and analysis showing the positive effects of the implementation, such as increased efficiency and cost savings. This section also highlights the ongoing monitoring and evaluation process to ensure continued success.

4. The fourth part of the document provides a summary of the key findings and conclusions. It reiterates the importance of the changes and the successful outcome of the implementation. This section also offers recommendations for future actions and areas for further research.

5. The final part of the document is a conclusion that summarizes the entire report. It expresses the confidence in the results and the commitment to ongoing improvement. This section also includes a statement of appreciation for the support and collaboration of all stakeholders involved in the process.

ASSEMBLYMAN KESSELHAUT: How much would these new facilities cost, do you estimate? these new facilities and these connections that you propose.

MR. STICHMAN: Well, I have the figure for Hudson Terminal to Lexington Avenue - \$24 to \$25 million. I have the figure for Communipaw, Jersey Central. The other figures would be much less. You see the Metropolitan Rapid Transit Commission spent a million, one hundred thousand dollars; I didn't spend a thousand dollars because I'm bankrupt, I haven't got it. So that our figures are largely done by our own engineers. We have had some help and cooperation in Jersey City - the officials there, I think, favor this plan and we have had some cooperation from there. So that, our new cars, - I can give you the cost of those - run around \$90,000, for our new air conditioned cars. I gave you the cost of the two connections which is about \$30 million. I think that the cost of the system that I have visualized, without electrifying the Jersey Central, - you could do most of the job for less than \$100 million. Now, whether that's to be grants from the Port of New York Authority or from the States of New York and New Jersey, or both, I don't know. But you see, we are not talking \$600 million or three-quarters of a billion dollars, we're not talking deficits of \$12 to \$20 million, and I have pointed out that if we took over the Hudson Terminal Buildings, as well as the Hudson Tubes, the profit after closing of the ferries might carry \$100 million worth of bonds. Now, I have gone over these figures very roughly with Dr. Flink but we haven't had time really to get them down to the form where I would like to have them.

ASSEMBLYMAN KESSELHAUT: Well this suggestion of yours, Mr. Stichman, is what? an emergency plan? or do you think this would be the over-all plan?

MR. STICHMAN: I think this is the over-all plan, sir. I think you should start gradually. I don't see any need to wait two, three, four or five years. I think you could start now - start preferably by giving me that tax exemption that I asked for so I can keep alive.

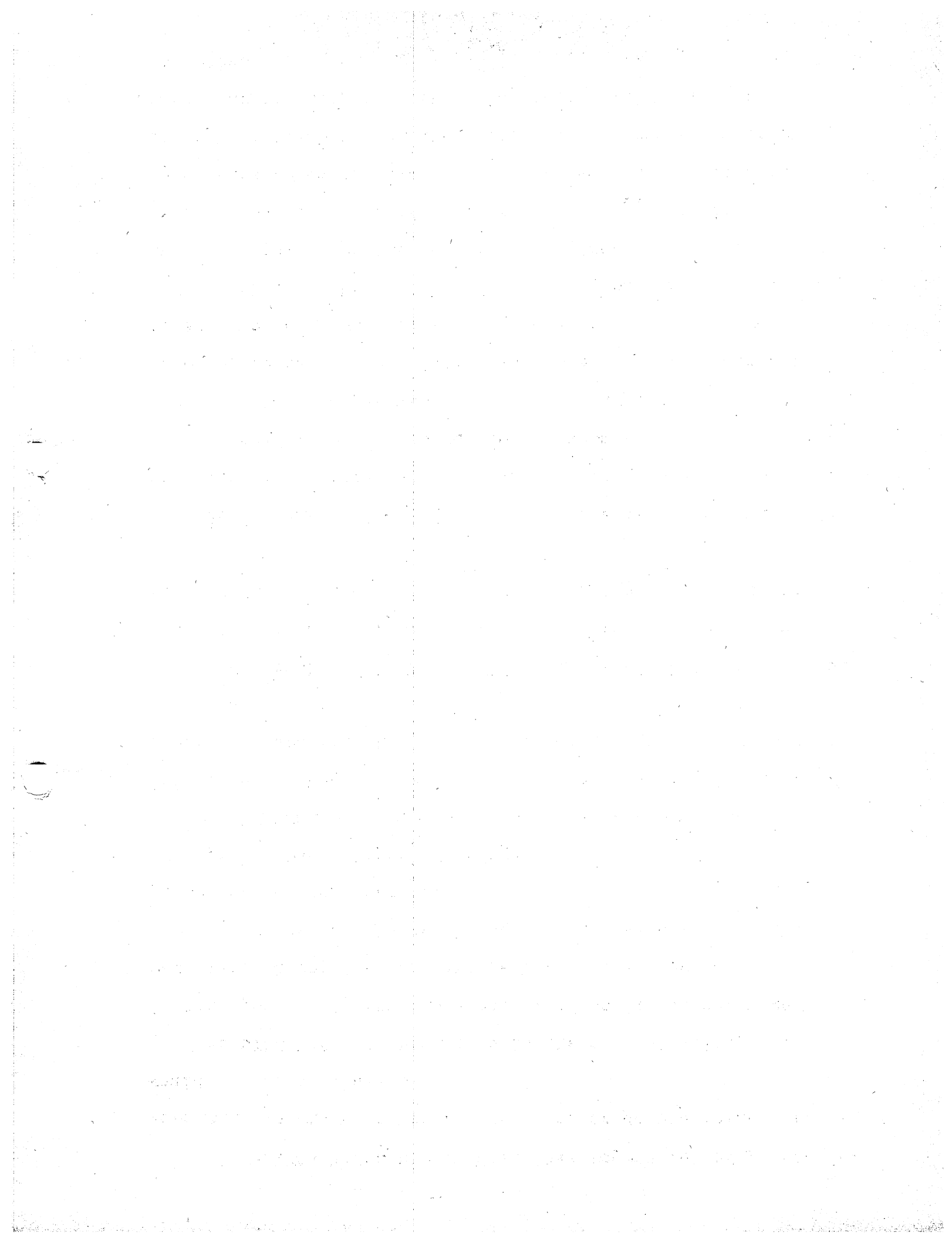
ASSEMBLYMAN KESSELHAUT: How much is it?

MR. STICHMAN: Well, it amounts to about \$140,000. About \$88,000 of it goes to Jersey City which they are willing to forgive in order to keep us alive. Are we going to do business today, sir?

ASSEMBLYMAN KESSELHAUT: Well, that won't help you much on your million dollars, will it? the \$140,000. How is that going to help reduce very much your million dollar loss of 1957?

MR. STICHMAN: I am not going to lose cash this year. But each year I have new - I don't want to say demands, new requests from my good friends, labor, some of whom are represented here today. I have to pay wage increases. But I really don't know from day to day whether I am going to keep alive. And until today I wondered whether anybody cared.

ASSEMBLYMAN KESSELHAUT: Well, if we pass the bill setting up a new agency, whether we direct the Port Authority to set up a division, - assuming that the deficits were handled in some manner - or the bi-state agency, you think this plan could form the basis on which they could immediately start preparing and help preserve existing facilities for the commuters.



MR. STICHMAN: That's right. It would save the railroads as well and cut down on the traffic maelstroms in Jersey City, Newark, New York City and elsewhere. Now, you would have three legs of the loop. You would have the one that I mentioned taking over the Susquehanna and Erie from West Shore transfer, electrifying that, coming down to Journal Square; then you have the tubes going both uptown and downtown making use of the Lexington Avenue Subway, leaving to be built at some future time only a connection from Lexington Avenue across to West Shore transfer, under the river. That could be built whenever you wanted. But you have three legs of the loop right away. And I think - private enterprise would learn at it grew, they don't build the whole thing all at once.

ASSEMBLYMAN KESSELHAUT: Now, Mr. Stichman, one of these arguments raised that the railroads are losing money on their passenger operation, is that they use old dilapidated equipment. You've brought in new cars.

MR. STICHMAN: Right.

ASSEMBLYMAN KESSELHAUT: What has been your experience? has there been an increase in passenger service or has it decreased, or stayed the same because of the new cars?

MR. STICHMAN: There has been a slight increase in passengers because of the new cars. We've had a greater increase at Hoboken because of the increase in cost of the ferry ride. But we are gaining passengers on the Newark run. Our new cars are only on the Newark run. We bought those jointly with the Pennsylvania Railroad and there is an improvement in traffic. They're beautiful cars. Have you ever been on them?

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ASSEMBLYMAN KESSELHAUT: Yes, I have. You haven't had any polls taken of the commuters to see how they react to the new cars, to see whether some of these people formerly drove automobiles and now they are transferring to your facilities because of the new cars?

MR. STICHMAN: No. I don't even have the funds for polls. But I have ridden the cars myself and let me tell you that the people love them, and they well should. It's like riding on a trans-continental train. I wish we had the money to put them on the Hoboken run.

ASSEMBLYMAN KESSELHAUT: What is the feasibility of this operation that you propose, or even the H&M today taking on some limited freight operations, mail, newspaper service, etc.?

MR. STICHMAN: Well, I have talked to the Post Office Department about mail. That's a hard nut to crack. I think it should be done.

ASSEMBLYMAN KESSELHAUT: Is it feasible?

MR. STICHMAN: It's feasible.

ASSEMBLYMAN KESSELHAUT: I mean, so far as you are concerned you could handle it in conjunction with the passenger operation.

MR. STICHMAN: That's right. It could be done. Freight I would doubt without a large expenditure because we have no terminal facilities at 33rd Street. The space we had there was sold by a predecessor management to Gimbels, and so there are no freight terminal facilities. But I wouldn't want to say now, without engineering studies, whether it would be feasible to recreate that, to cut down on - I mean freight could be transported at night. I would say that would have to wait

further investigation. I can't advise you as to that today, sir. Mail is entirely feasible.

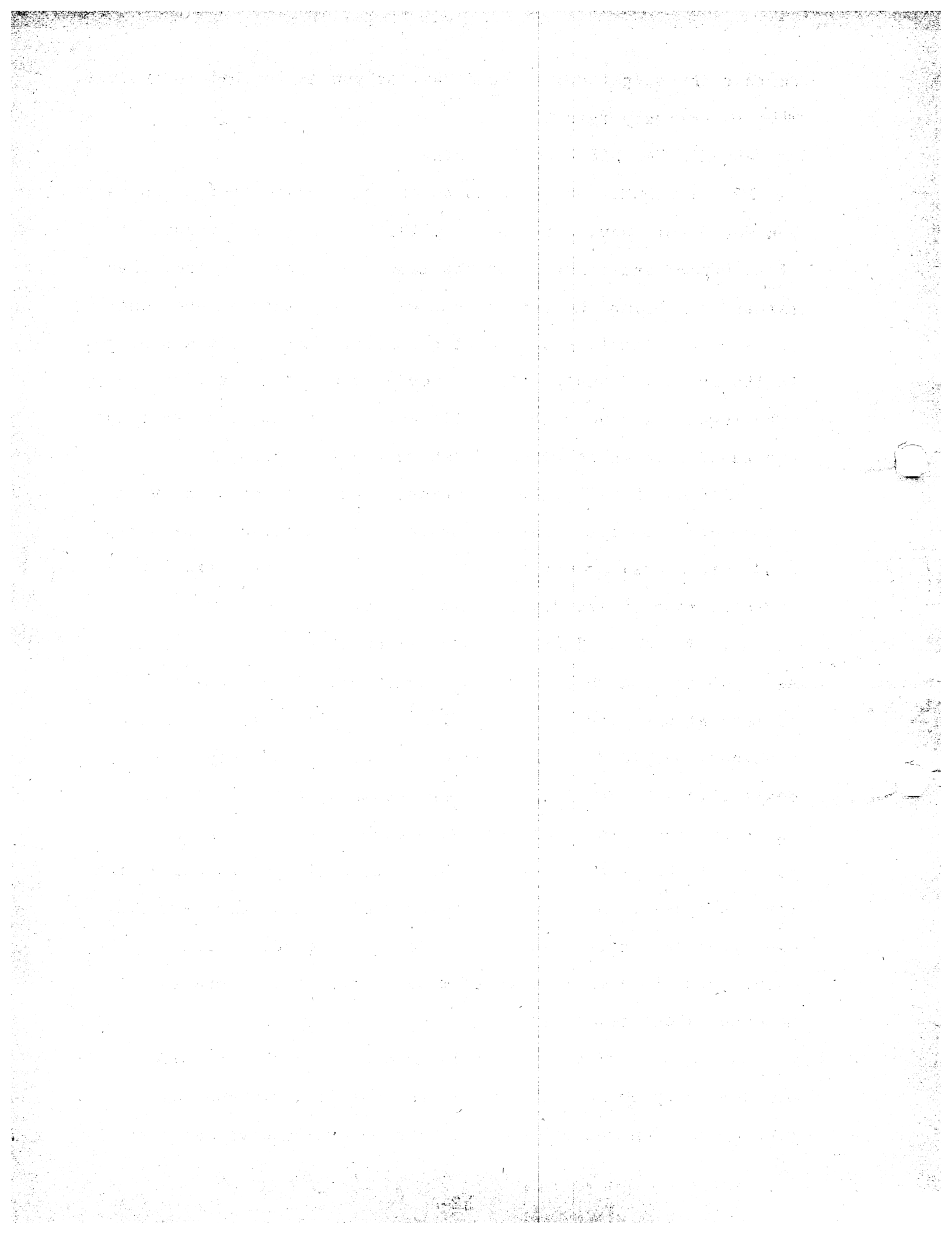
ASSEMBLYMAN KESSELHAUT: Thank you.

MR. STICHMAN: And perhaps so-called package freight where you would put, say, clothing in a large package and transport it to Newark and start it on the truck over the road from there rather than bring the trucks into New York. And you know what trucks are doing to the garment district. But that's a problem in itself and, frankly, sir, it would require engineering study, I believe. We have done a little work on it but we haven't had the funds from which we could pay people for doing it.

CHAIRMAN CRABIEL: Mr. Stichman, I want to get clearly on the record, you feel that the Hudson and Manhattan Tunnels can handle the total commuter load that could be put in there from these various railroads. Is that correct?

MR. STICHMAN: There is no question about it, Assemblyman. As I pointed out, we're carrying today only 27% of the load we carried at one time. Now, people will say that there's been a change, people don't have to go to work on Saturday, they don't come into New York off-hours as much, but despite that our study indicates that even with eight-car trains we can carry all the people today who would present themselves, if the ferries closed, in a ten minute interval with nobody left over. And with the construction that I have mentioned, we could carry them all even in a three minute interval. There is no doubt about it, sir.

CHAIRMAN CRABIEL: There is no question that the MRTA had some very eminent and qualified consultants study this problem, but can you rationalize with me or would you care to



comment as to why they discarded the use of the H&M in the report of both the Project Director and the report of the MRTC?

MR. STICHMAN: Well, I don't like to tell about it but I will, if I must.

CHAIRMAN CRABIEL: Well, I think it's very important to get on the record. From your knowledge - you must have met with the MRTC and you must have met with the consultants and I can't quite understand why this is ignored.

MR. STICHMAN: Well, let me say this. If forced to tell it, I will. When the MRTC started to retain the engineers, I told the engineers and the MRTC that they could have desks in our office and any evidence there that they wanted, anything in our records was open to them. Now, one engineering firm - I prefer not to name it - reported that our tubes wouldn't carry the load. I had the man up there, the man in charge, and I asked him for his report. He said, "No, you can't have it." I said, "Why not?" He said, "We work for the MRTC." I said, "I know but we're in partnership here. After all, we're bankrupt, I'm a trustee. There's nothing secret about it. I can't change the facts nor can you." But there was reluctance to show me those figures. I finally got them from going to Mr. Tuttle and Mr. Simon, who are friends of mine. And with those figures we seriously disagree.

Now, they take a five minute interval, you see, 8:24 to 8:29, and they show that at the end of the five minute interval some people would be waiting, they wouldn't all get on the train in that five minute interval. When I point out that all you have to do is reschedule a train coming into Hoboken, and

all the railroads are trying to - not maybe reschedule but not bring them in at all, then you have no lines. That seems to have made no impression, you see. All you have to do is reschedule a train by two or three minutes, change the train that comes in, say, at 8:05, make it come in at 8:02; and the second train that's coming in at 8:06 make it come in at 8:10, and there is no surplus. Do you follow me, sir?

CHAIRMAN CRABIEL: Yes.

MR. STICHMAN: It's that simple. Now, the thing that shocks me is that they would completely close down our uptown tunnels, which you couldn't duplicate at a cost of \$100 million today. They would build a competing set of tunnels with our downtown ones, going from Communipaw today, and they intended at first to connect with the BMT, which is already overloaded. Well, when the BMT - when the City Transit System said, "No, you can't do it." then they're going to build an entirely new subway system up Madison Avenue. You see? So that many of the things I don't understand and I'm speaking of people I love. But these facts can't be contradicted, sir, in my opinion.

CHAIRMAN CRABIEL: In your answer to Mr. Kesselhaut - he asked you about the operating procedure - I'm trying to get it clear in my mind. If the MRTD - a transit district of some sort is set up, or if it is directed that the Port Authority set up some sort of District, would it be your thinking that that District would lease your line or that they would just coordinate and that you would actually operate your line. Let me clarify that. You heard Mr. Moore, I believe, state that in his opinion he felt that the railroads would still run the railroads but the MRTD or the Port Authority District,

or whatever district it is, would stipulate the requirements under how they wanted it run, the scheduling and the fares and what not.

MR. STICHMAN: Well, I think the Hudson Tubes too could continue but I think it is much better to have a public agency because you have got to have the coordination between the Port Authority and whoever operates rapid transit.

CHAIRMAN CRABIEL: In other words, you would have the public agency, no matter what it was, purchase the Hudson & Manhattan Railroad? Would that be it?

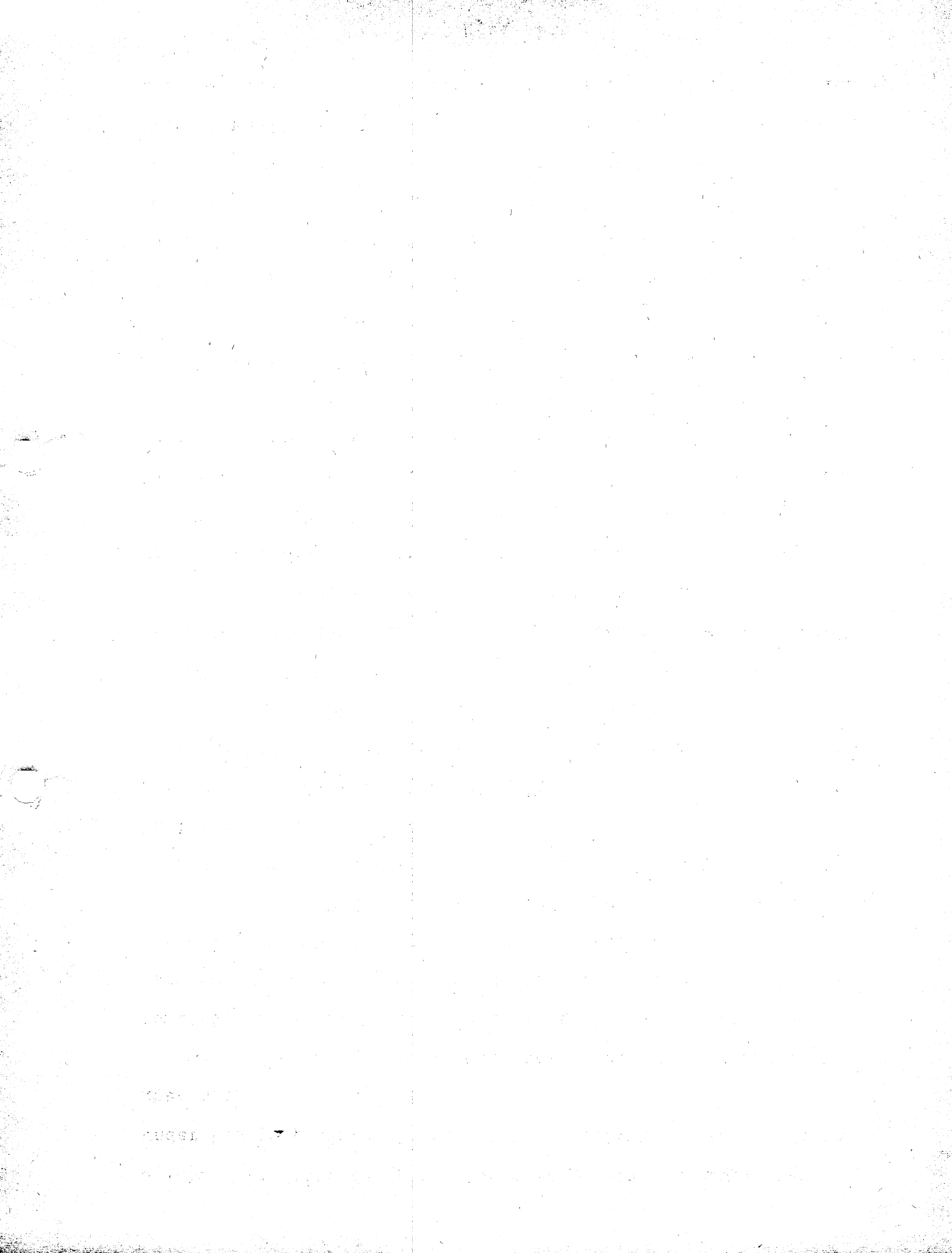
MR. STICHMAN: Yes. That's right, sir.

CHAIRMAN CRABIEL: Now let me ask another question. At the present moment, who owns the Hudson & Manhattan Railroad?

MR. STICHMAN: Well, it's still owned by the Hudson & Manhattan Railroad Company, which consists of stock and bonds. But in the reorganization plan which I have proposed, the stock would be wiped out. If you want to know who to deal with, sir, --

CHAIRMAN CRABIEL: No. My question may be a leading question but my question is, we are here worrying about the Port Authority bondholders and now I am just making certain that there is not being some windfall into some bondholders for the Hudson and Manhattan, on the reverse.

MR. STICHMAN: There might not be a windfall, but I wish they might get back their money. We'll sell them at a price that you will consider a bargain. And, as I say, it will represent only a percentage of the cost involved in the MRTC plan. The stock, which is substantial, the preferred and common, it appears would be wiped out. That's the plan I propose. So, we are not looking for windfalls, sir. We are really here seriously



- I think that the public interest could best be served by a public agency, whether it's a subsidiary of the Port Authority or not, taking over.

One other thing that I want to say about the Port Authority, and here again I am not backing Assemblyman Musto's bill - I'm not backing any bill or opposing it - not all their ventures must be money-making from the start; not all have been and not all must be. They have put a self-imposed limitation in some of their contractual obligations, in issuing new bonds, the debt service must be 1.3, but so far as we have been able to trace in your legislative records, you have never approved that particular condition. And I am not at all sure, sir, that any substantial deficit would be involved and, if careful contributions were involved and they would lease the buildings, they could be made a tremendous reserve of the Port of New York Authority which Dr. Flink knows all about, and which I am told would aggregate hundreds of millions of dollars. That would not impair their credit in the slightest.

DR. FLINK: I should like to ask you a few questions just to get several points perfectly clear. In your presentation you stressed the fact, at the outset at least, that a solution to the rail problem is not likely to be found unless some limitation is placed upon the Port Authority's ^{rate}/policy, so that the Port Authority should not be in a position, at its own discretion, to introduce lower rates than are in effect at any one time. Is that correct, Mr. Stichman?

MR. STICHMAN: I would like to give it just a little change, sir. I would say if they have the responsibility for rail transit, trans-Hudson, I wouldn't care what rates they set.

I wouldn't affect their rate-making power in the tunnels because they might want to divert passengers from the tunnels to transit, or vice versa. They would have to decide for themselves how to balance it. Do you follow me, Doctor?

DR. FLINK: I follow you.

MR. STICHMAN: So that the Legislature wouldn't have to limit its rate-making power at all.

DR. FLINK: But in the absence of such centralized operations, do you regard it then as advisable for the Legislature through new legislation to require the Port Authority to submit any change in its rate structure for legislative approval? That is on the assumption that a separate agency is set up to operate the rails.

MR. STICHMAN: Well, I don't think that would help, sir, because, you see, to change it -- A separate agency couldn't function today, I don't think, without Port Authority coordination in some manner.

DR. FLINK: Yes, but let us assume, because that has been proposed, that a separate district is set up, that this district is confined in its operation to rails, including H & M, --

MR. STICHMAN: They would have to be subject to some control.

DR. FLINK: Then there has to be some control.

MR. STICHMAN: Otherwise, if you had the taxing district, the burden on the district might be tremendous. Or even if the State were to carry the losses, the property owners would be paying in the longrun, anyhow.

DR. FLINK: Now, the next question: If I remember correctly, all of the engineers' proposals or plans envisage the continuance of the H&M. Is that right? None of them propose that the H&M

be dissolved or totally discontinued.

MR. STICHMAN: Well, the MRTC practically does. They propose only retaining the downtown tubes and then building competing tubes --

DR. FLINK: I understand that.

MR. STICHMAN: So they wouldn't last long.

DR. FLINK: I understand. But at least on the surface, they never advocated that the H&M be abolished, but beneath the surface they advocate a competitive system which might in effect strangulate the H&M.

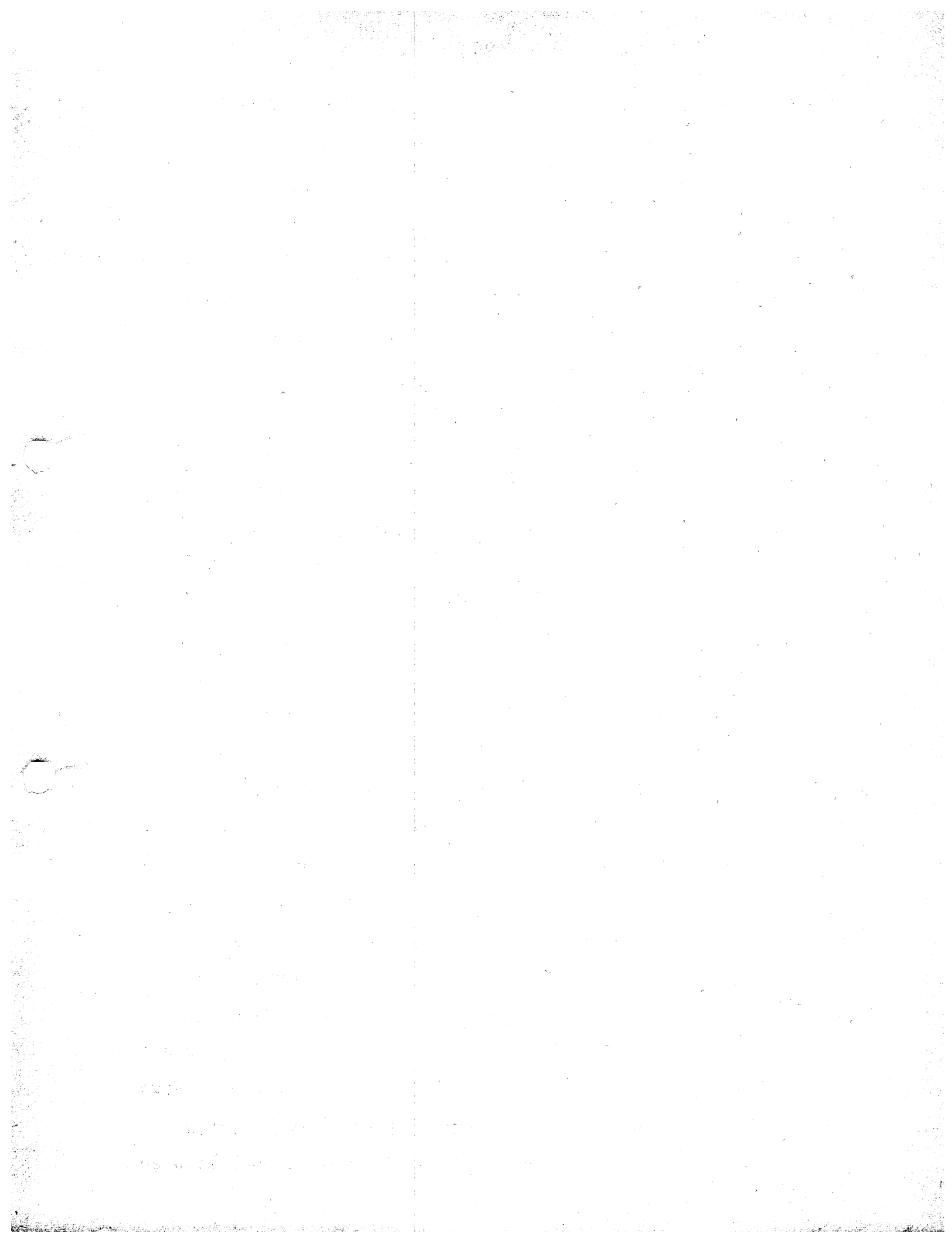
MR. STICHMAN: That's right. Let me tell you. Here's a governmental agency set up, sir, and you know they propose that we give them the Hudson Tubes, turn them over to them and that they don't pay us anything for them? Now, the Assemblyman was concerned as to whether there was to be a windfall. The MRTC had no such concern, they just wanted us to turn them over, wipe out the bondholders.

DR. FLINK: One other question, Mr. Stichman. In response to a question raised by Chairman Crabiel relating to mail and express freight, you replied, if I remember correctly, that you had talked to the Post Office officials --

MR. STICHMAN: A local official here in New York.

DR. FLINK: -- in New York. At this juncture of the game, not having negotiated since you have no authority to do so, - but at this juncture of the game do you believe that the feasibility of mail and express freight is a ridiculous proposal?

MR. STICHMAN: Not at all. I would say, particularly as to mail, it certainly is not ridiculous because you see we are at 33rd Street, not far from the General Post Office, and downtown



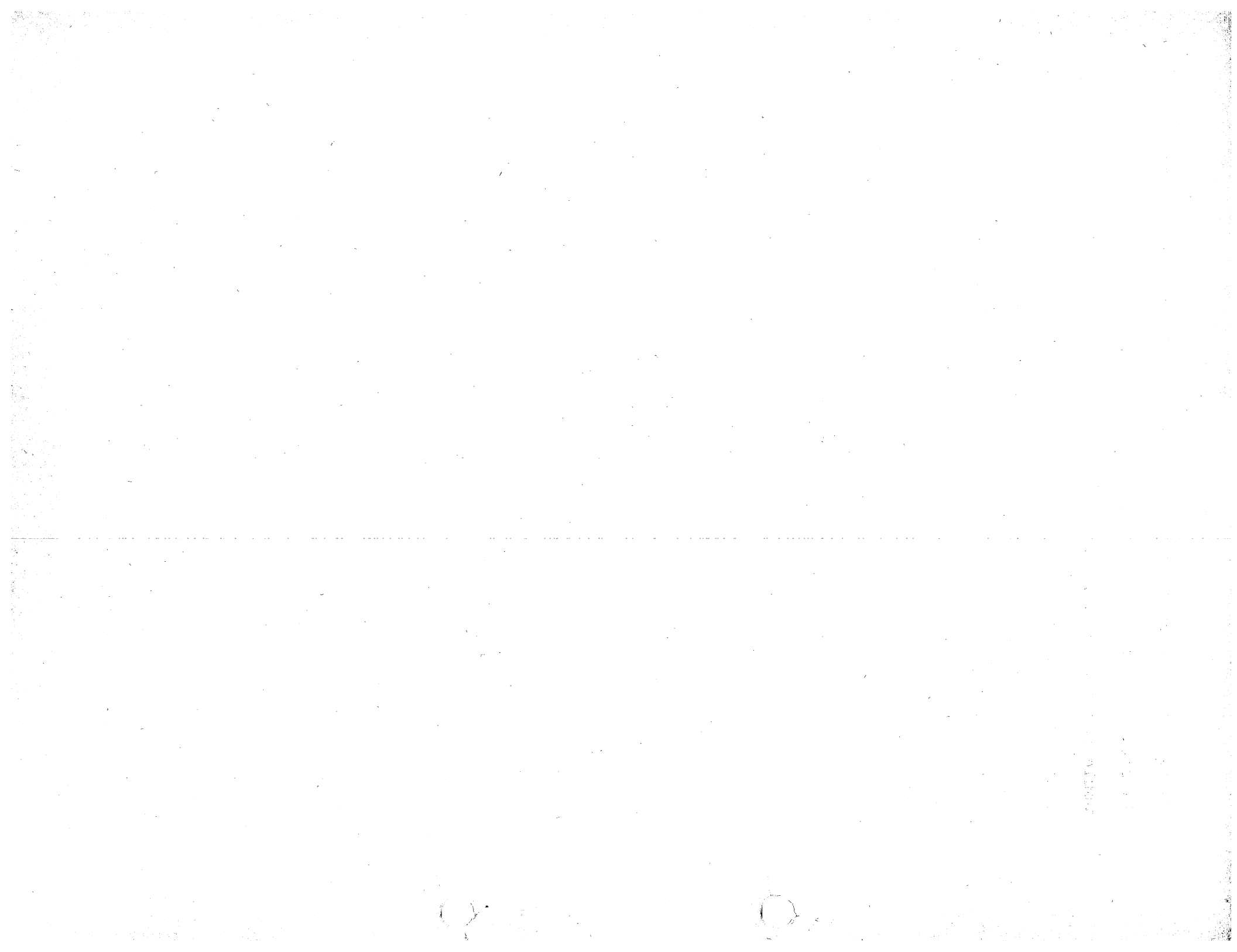
we're at the Hudson Terminal and the 95th Street Post Office is right near by. So it's far from ridiculous. However, I would not attach too much weight to it, so far as income is concerned. It should be done and it provides a very good way for making use of your equipment during the off periods. As to the freight, I prefer to keep that in abeyance until we study it. I don't say anything is ridiculous until it has been studied.

DR. FLINK: Realizing pretty well the position of H&M, since you and I have had some conversations about the financial status, and also realizing that the H&M because of its limited funds or absence of funds is in no position to undertake capital requiring projects, do you think that if the H&M were taken over by an agency, whichever agency it may be, that sizeable additional revenue sources could be obtained by utilizing space now available in the various terminals of the H&M for real up-to-date shopping centers? I'm thinking of the H&M terminal in New York, the Hoboken, the Newark, and I'm thinking of shopping centers that have been extremely successful at terminals of subway systems in countries abroad.

MR. STICHMAN: Well, I would say that the question of the value of such shopping centers depends on the amount of traffic carried, you see. And with the ferries closed, there would be additional traffic which would improve the values of those shopping places. But it's a direct product of your volume of traffic.

DR. FLINK: Thank you, Mr. Stichman.

ASSEMBLYMAN WILSON: I don't have a question, Mr. Stichman. I would just like to commend you and your group for this



possible solution to the problem and I am amazed that you could do it for a figure less than \$1,000 when one of our greatest organizations, the Port Authority, couldn't do anything in 30 years. I have to commend the entire operation. I like this proposal and I like the use of already existing facilities. The amount of money spent on this thing is, I think, well worth it and I think it deserves much looking into.

Thank you very much.

MR. STICHMAN: Well, I value very much what you have said, sir, and there is one good way to show your appreciation, if you would only give us our tax exemption bill. I'll mail these.

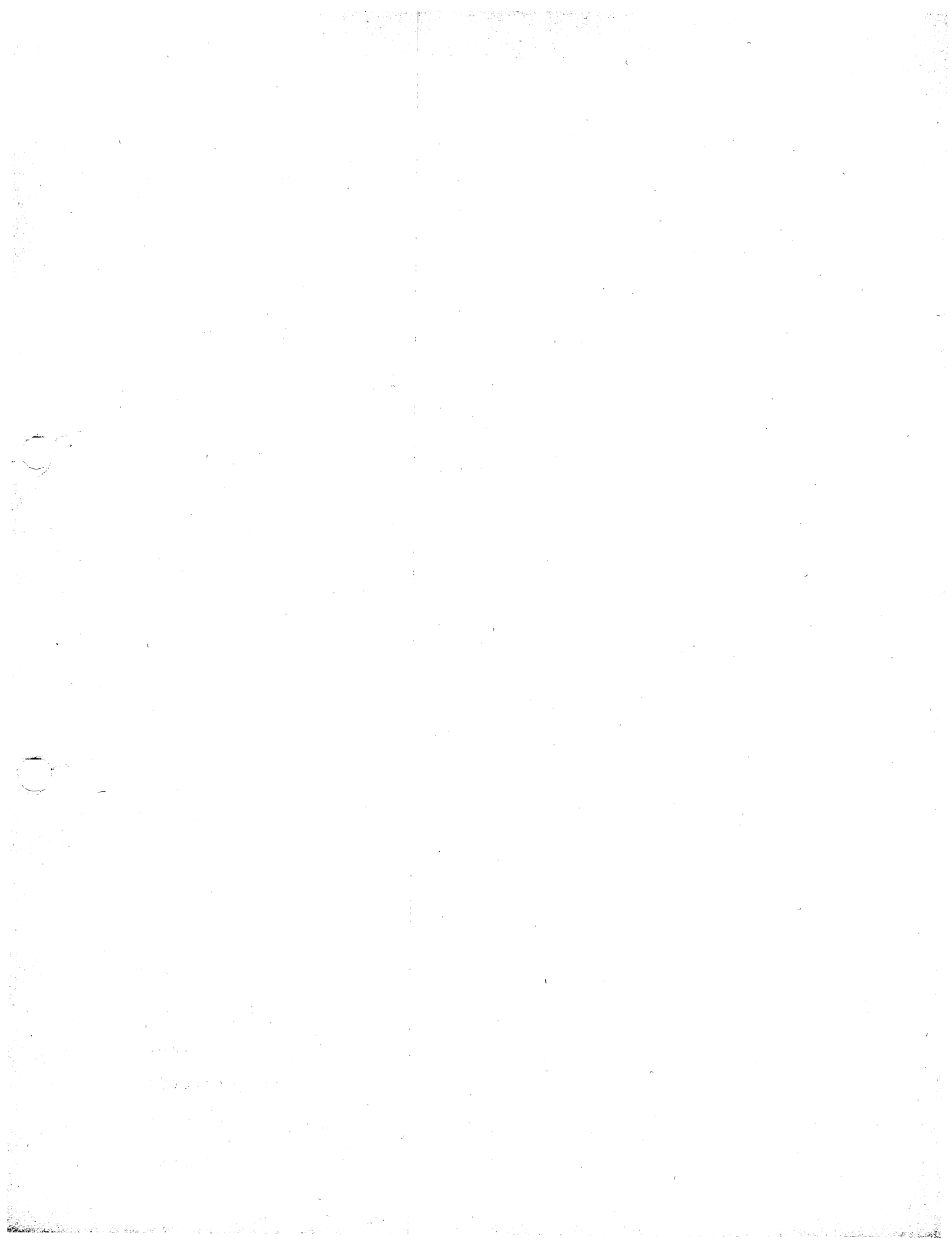
CHAIRMAN CRABIEL: Yes, if we could have some more of these maps.

MR. STICHMAN: Thank you very much, gentlemen. It has been a pleasure to be here. As I said, I didn't want to come as a volunteer and I want it clearly understood that I am not for or against any bill. But I think you men have the facts from which to make the decision. Thank you.

CHAIRMAN CRABIEL: I want to file on the record the statement of Russel C. Heimert, Manager of the Keystone Automobile Club and Vice Chairman of New Jersey Highway Users Conference. Mr. Heimert asked that this be filed, and it is opposing A-16.

I will call Mr. Rudolph Schroeder, Chairman of Legislative Committee, Hoboken Chamber of Commerce.

RUDOLPH SCHROEDER: Gentlemen, my name is Rudolph Schroeder. I am Chairman of the Legislative Committee of the Hoboken Chamber of Commerce and I appear here on their behalf.

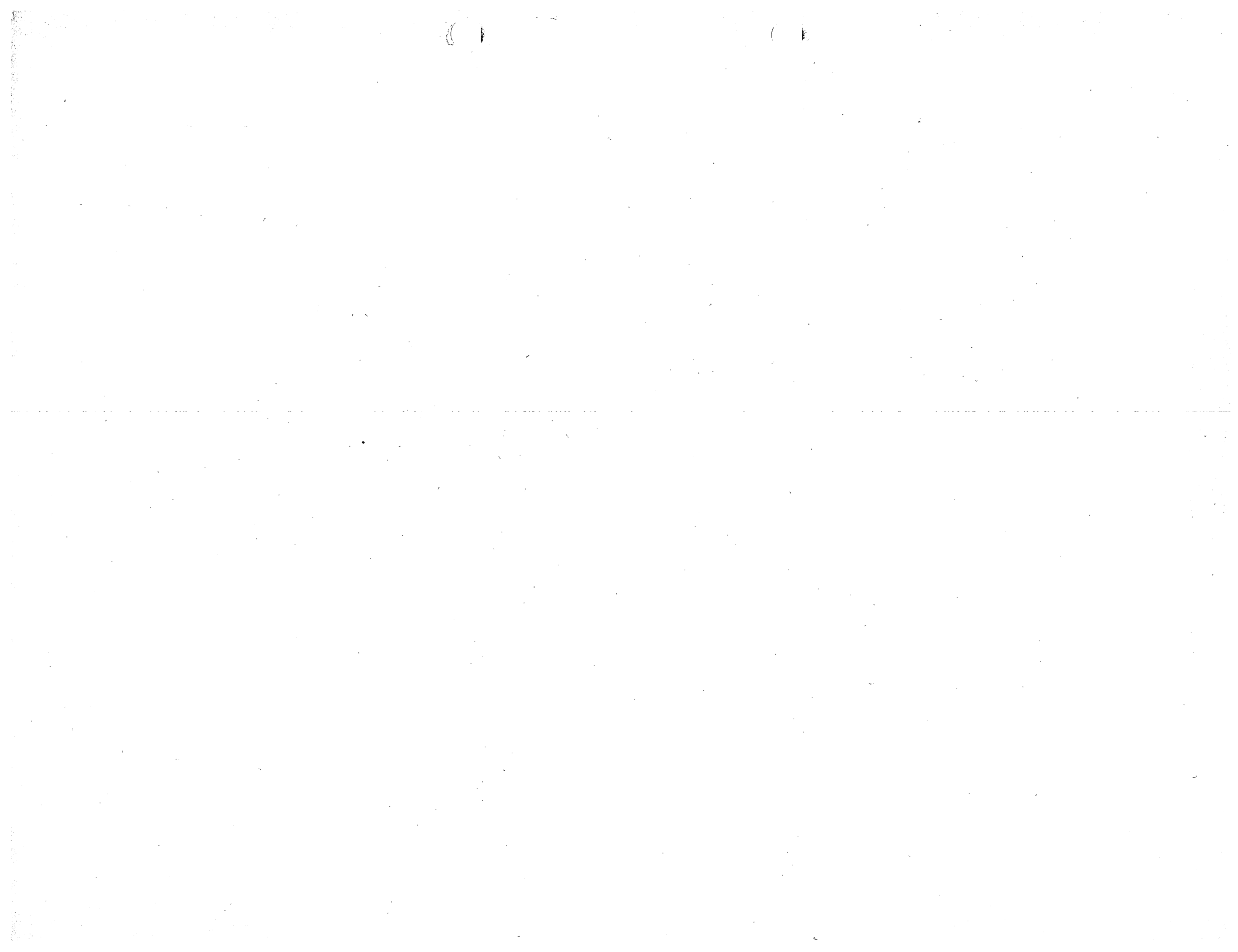


None of the previous speakers have analyzed Assembly Bill No. 115. This I would like to do in order to show how inadvisable it would be to pass the bill in its present form.

At the very outset let me state that while this bill is sponsored by the Metropolitan Rapid Transit Commission which was directed by both States to make a study and report on the prospective "Rapid Transportation Needs" of the Metropolitan area they have confined their study to rail rapid transit. The Bill which they have prepared is replete with provisions concerning bus transportation, and, as I will point out as I proceed, I believe that all reference to bus transportation should be deleted from the Bill.

We are dealing solely with rail transportation across the Hudson River between New Jersey and New York City particularly with reference to the commuter traffic and there is no need of messing up things, as has been done in Assembly Bill #115, by injecting bus transportation.

In the first place, let us consider the words, "mass movement" and "mass transportation," which expressions appear in Article 1, page 1, line 7, Article 1, page 2, line 27, Article 3 page 9 lines 147 and 148. When these terms are used they are invariably used to denote rail transportation, not bus transportation. In support of this contention let me quote from the bulletin of the Regional Plan Association of June 17, 1935 as follows:



"Motor Vehicles cannot supplant rail facilities as a means of commuter transportation between New Jersey and Manhattan"

and again from the Port Authority in a report dated March 1, 1937:

"An expanded motor bus service, while highly desirable for collection and distribution purposes and for furnishing service in areas not yet ripe for rapid transit, cannot meet a mass transportation need."

Under the circumstances I suggest that on page 1, line 7 the word "rail" be inserted after the word "people" so that the sentence begins as follows: "Efficient mass movement of people by rail."

On page 2 in line 11 insert after the word "existing" the word "rail".

On page 2 in line 16 eliminate the words "bus and".

On page 2 in line 19 eliminate the words "and other transit."

With a view to making certain that we are dealing with rail not bus transportation the title of the act should also be amended by inserting the word "rail" between the words "Metropolitan transit."

Mr. Kesselhaut has already pointed out that Article 1 of the Bill is a series of recitals of fact which the Legislature is asked to endorse. I think he is 100% correct in refusing to find as a fact that rail rapid transit operations must of necessity and under all circumstances be run at a deficit. This paragraph on page 2, lines 22 to 26 should, we think, be deleted from the Bill.

With reference to the paragraph on page 2 lines 27 to 33 inclusive this is again a finding of fact that a district agency would have to tax the surrounding communities. This statement is wholly false because it does not follow that with a comprehensive railroad system that you must/tax the municipalities through which it passes and the surrounding communities. The Metropolitan Rapid Transit Commission failed to adhere to the original directive of

the New Jersey Legislature when it was created in 1952 to the effect that it should report on

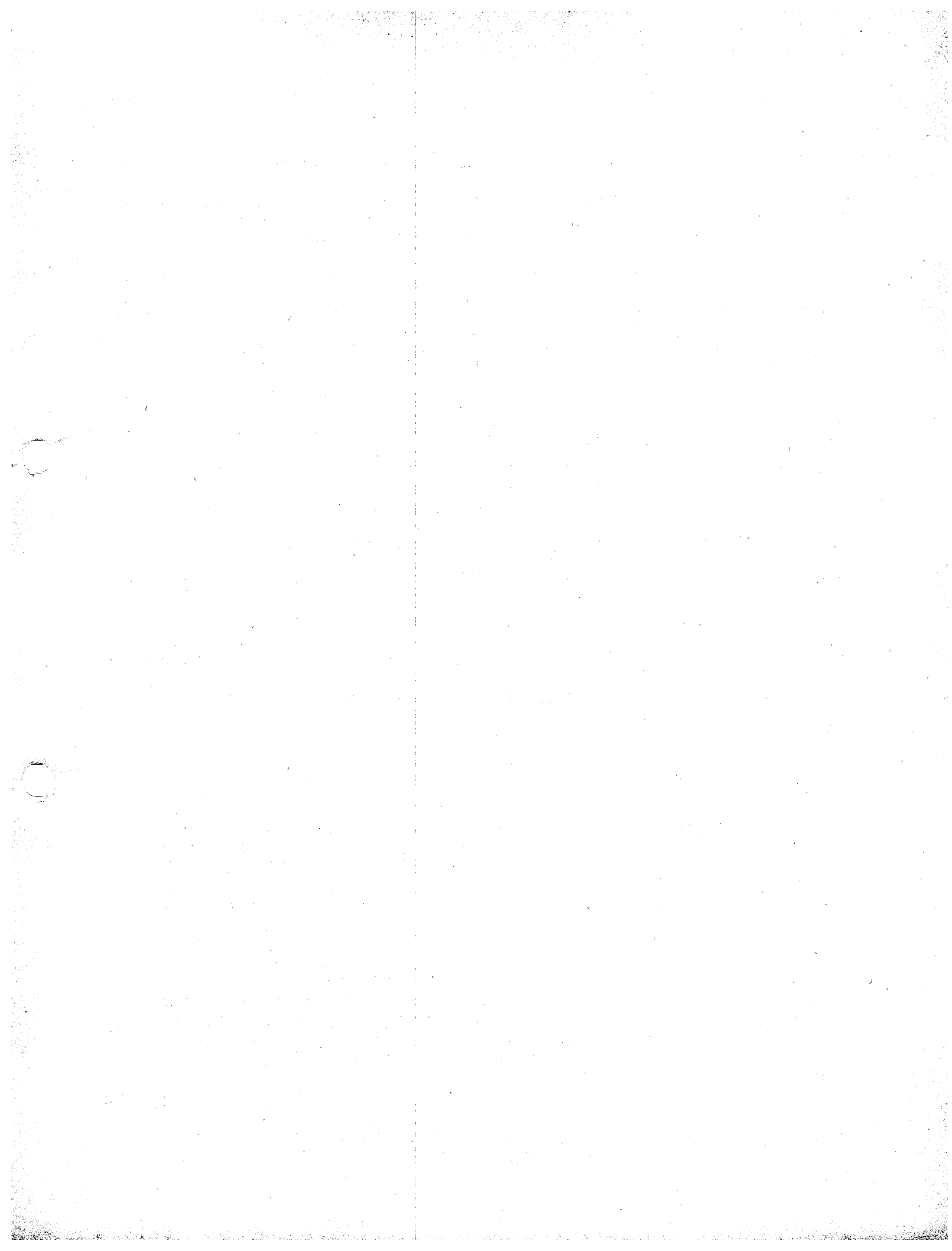
(b) Specific recommendations as to what facilities should be provided to serve commuters and related passenger and freight traffic between northern New Jersey and New York City, giving special attention to the recommendations of the New Jersey Regional Planning Commission for the creation of a Union Terminal;

(c) A reliable estimate of the cost of creating and maintaining these facilities including an economic study to determine the annual cost of operation; possible rental income from railroads and fares from passengers using the facilities; other revenue to be maintained from concessions, leases or other various sources; and savings that may be made by the railroads by virtue of the creation of these facilities.

If the Commission had followed this directive and had not been diverted from a consideration of the entire railroad problem embracing freight, commuters and other passenger service an entirely different report would have been submitted, probably showing that rail transportation would be self supporting or nearly so; but as I will point out later, this original Act of the New Jersey Legislature of 1952 was later emasculated so as to eliminate the consideration of freight, general passenger service and other incidental items of income. It is interesting to note at this point that Senator O'Mara Co-Chairman of the Commission, sponsored this Bill in 1952 to which I have just referred.

We agree with Mr. Kesselhaut's criticism of these recitals of fact and assert that these statements of fact are not true and that it is most unwise for the Legislature to be bound by them.

The Chamber of Commerce recommends that the paragraph on page 2 lines 27 to 33 be deleted from the Bill, for the reason that there is no assurance that recourse to local taxation will be necessary



if a comprehensive railroad transportation plan is evolved embracing freight, general passenger and rapid transit service.

It also recommends that the word "rail" be inserted after the word "essential" in line 35 on page 2. We cannot understand why so many general terms are used. We are dealing with "rail" transportation! Why hide it?

With respect to the definitions set forth in Article 2 page 3 the one needing overhauling is "Suburban service" in paragraph 7 lines 22 to 26. We suggest that this paragraph be amended by eliminating the words "or bus" in line 23, which paragraph with new matter should read as follows:

"Suburban service shall mean public transportation service for the rapid transit movement of passengers and their baggage by rail between points within the boundaries of the District west of the Hudson River and to the County of New York, including any and all incidental services necessary, useful or convenient to integrate and coordinate such rail transportation service."

Let us pause here for a moment. Are we dealing with rail transportation or with bus transportation. The recommendations of the Commission deal exclusively with rail transportation, so why confuse the issue at this time by defining "suburban service" as including bus service. Let us attend to first things first. What is wanted is rail transportation across the Hudson. Why monkey with bus transportation when that is presently being conducted by private enterprise. You heard counsel for the New Jersey Motor Bus Association say that there was no need for rail rapid transit



because the existing bus service can take care of the whole business. If what he says is true and since bus service in New Jersey is a private enterprise and ^{its owners are} perfectly content with the business now conducted, why is it necessary to drag bus service into this bill? The only purpose could possibly be to delay the solution of rail transportation and build up the vehicular empire of the Port Authority.

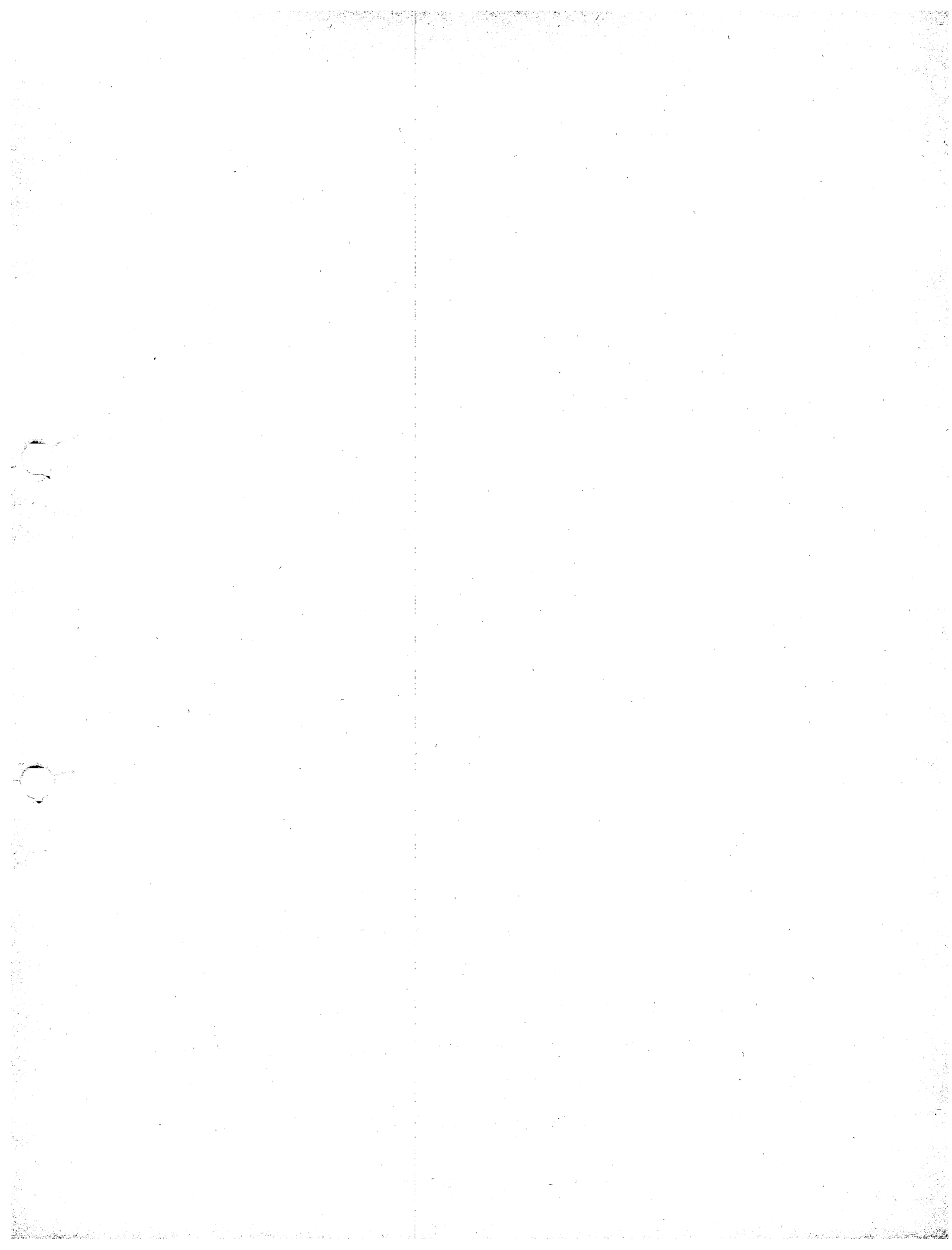
The importance of changing the definition of the words "Suburban service" is further emphasized by a consideration of the paragraph on page 4, lines 30 to 35 inclusive, dealing with the "Interpretation of the Compact" wherein "bus rapid transit" is mentioned. There is no such thing as "bus rapid transit" and we therefore suggest that the words "and bus" be stricken from line 34. We are dealing, as I stated before, with rail transit. Let us deal, as I said before, with first things first. When we have solved the rail transportation problem any consideration that should be given to bus transportation can be considered at a later time by the Legislature.

The Chamber of Commerce is opposed to providing at this time for the entry of the State of Connecticut into the rail problem, which we are now considering, and recommends that the paragraphs "a" and "b" on page 5, lines 21 to 40, be stricken from the Bill. Our reason therefore is that we in New Jersey are primarily and only interested in a rail crossing of the Hudson River, and this Bill should be strictly limited to deal with that subject as it affects New York and New Jersey. We cannot at this time attempt to solve the transit problems between New York and Connecticut. If those states want to solve it then let them enter a suitable compact

to that effect. Including Connecticut at this time will more than double our problems. We would be confronted with a deficiency alleged by the Port Authority to be \$150,000,000. If we struggle to solve the problem between New York and Connecticut and neglect the immediately pressing transit problem of New Jersey the Port Authority will be going merrily on committing itself to more and more projects and thus postponing to some dim future time the requirement set forth in the Comprehensive Plan adopted by New Jersey and New York in 1922 that the Port Authority should take over the rail transportation problem.

Attention is directed to the paragraph entitled "Administrative Organization" lines 41 to 45 inclusive on page 5, wherein the Board of Directors appointed an "executive director." The matter of the appointment of an executive director by the Board of Directors also appears in line 95 on page 7. Objection is made to this type of organization, because as in the case of the Port Authority it tends to create a closely knitted service organization apart from the Board of Commissioners or Board of Directors and results in the creation of a bureaucracy getting out of control such as now exists in the Port Authority. The Board of Directors should be set up as it is in any other corporate business with Directors having full power to operate the business, occupying executive offices and being adequately compensated for their labors, and not serve simply for the honor of it as the commissioners of the Port Authority do.

Dealing next with the membership of the Council as appears



in paragraph 3.6 on page 5 line 46 and continuing on page 6, it is noted that the representation shall be 1 representative for each 500,000 of population or fraction. On this basis New York would be entitled to 4 as I understand New York County has a population of slightly less than 2 million. It will also be noted that should the schedule as set forth on page 6 be permitted to stand, the membership apportioned among the counties will be frozen until after the 1970 federal census, a period of 11 or 12 years, during which period the legal structure and policies of the District will be firmly established with the probable result that New York County will continue to dominate the membership. We contend that the representation should be based upon the financial contribution which the two states are required to make.

Coming next to the "Council; Powers and Duties" line 76 on page 6 and continuing on page 7, all reference to enlarging it by the introduction of the State of Connecticut should be eliminated from this paragraph for the reasons heretofore stated. Objection is further made to having the chairman of the Council a full member of the Board of Directors. Should the Chairman come from the State of New York he could very readily overcome a tie in the remaining 6 Directors. This from our point of view is objectionable. We think the board of 6 directors should organize as heretofore stated, like any other corporate board of directors, run the business and be paid for their services as directors and officers, should any of them be appointed to office.

Since this is a Compact between two states similar in many respects to the Compact which created the Port Authority we



believe that the Governor of each state should have the veto power over any actions of any member from his state. This should apply not only to the veto of any action taken by a Council member or members but also any action taken by a director or directors and therefore there should be inserted in this Compact a provision similar to that appearing in Article 16 of the Port Authority Compact reading as follows:

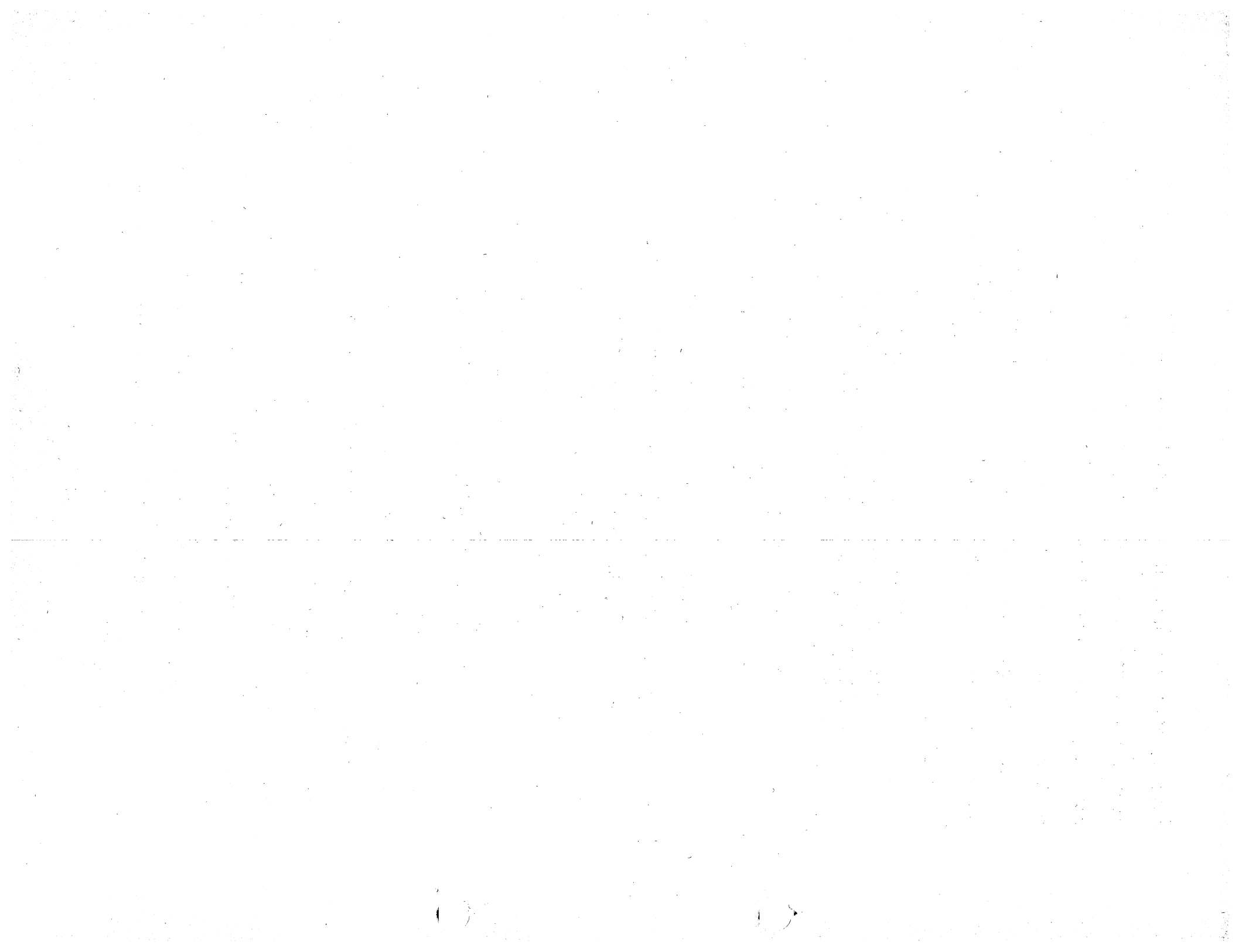
"Each state reserves the right hereafter to provide by law for the exercise of a veto power by the governor thereof over any action of any member of the Council or Board of Directors appointed or selected from New Jersey."

This would have a salutary effect and from our point of view is absolutely necessary for inclusion in the Compact.

We also believe that the minutes of the Council should be published in pamphlet form, deposited with the Governor and members of the Legislature, the clerk of the Board of Freeholders of every county and with the clerks of all municipalities within the District. Such minutes should likewise be available to any individual upon application upon the payment of a reasonable charge therefor.

Were the Port Authority to publish its minutes as here suggested more would be known about its operations. As it is, too little is known about the Port Authority as has been illustrated by questions asked by members of your Committee. What is known, is what the Port Authority graciously hands out in self-serving releases prepared by a high powered and expensive publicity department. This we submit is not a healthy condition.

Coming next to the paragraph "Board of Directors" line 89 page 7, we suggest that this section be re-written so as to provide as follows:



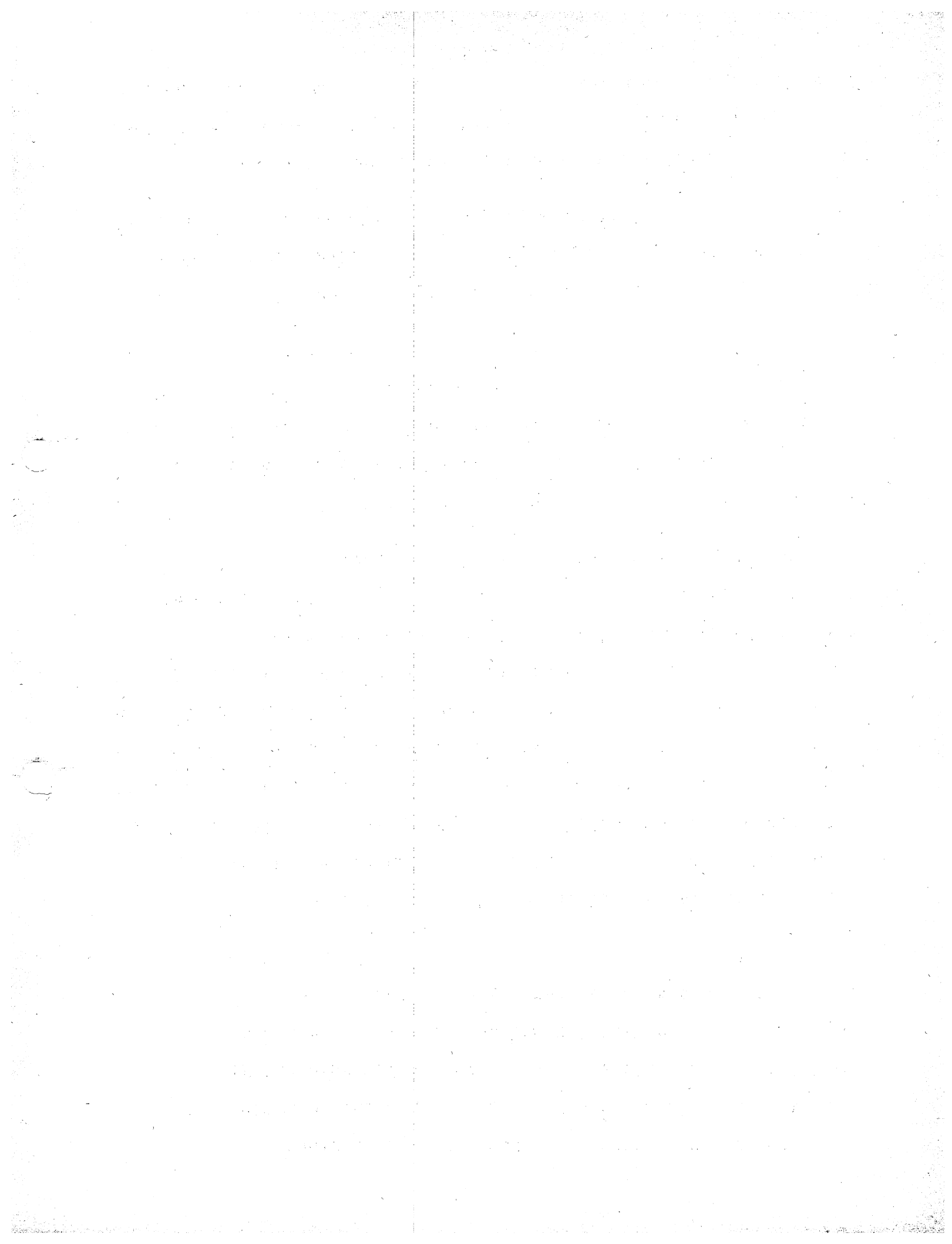
"Unless and until otherwise determined by the action of the Legislatures of the 2 states, no action of the Board of Directors shall be binding unless taken at a meeting at which at least 2 members from each state are present and unless 4 votes are cast therefor, 2 from each state."

We object, as heretofore stated, to the appointment of an "Executive Director" as indicated in line 95 page 7, for the reason that it would delegate to an individual powers and authority that should be exercised by the Board of Directors of a business corporation. It would have a tendency to build up a bureaucracy separate and apart from the governing body, as now obtains in the Port Authority. If an executive director should be appointed that executive director should be selected from the members of the Board of Directors, so that he would, as heretofore indicated by us, be subject to removal by the Governor of the State from which he originated.

We find there is no provision for the compensation of Directors in sub-paragraph E line 100 on page 7. This we think is a mistake. Provision should be made for the adequate compensation of Directors by the Council, because only in that way can the Directors be made fully accountable for their actions.

Referring to page 8 lines 115, 120 and 125, wherein the words "suburban service" appears. We suggest that the word "rail" be inserted so as to read "Suburban Rail Service."

Coming now to the section entitled "General Plan" at the foot of page 8 beginning with line 139 and continuing on page 9. Reference is made to page 9, line 143 wherein the Council and Board of



Directors of the District "shall" consider: the report and recommendations etc. of the Metropolitan Rapid Transit Commission; other state and municipal planning agencies; and then on line 146 page 9 quote "the plans and projections of other public bodies." "The plans and projects of other public bodies" undoubtedly and guardily refer to the Port Authority without mentioning it by name.

Since the Port Authority has done nothing constructively for the past 30 years to bring about or solve rail transportation across the Hudson River, we object to the Council or Directors being required to consult with that organization and therefore suggest that in line 143 the word "may" should be substituted for the word "shall", making it permissive but not mandatory to consult with the Port Authority. In my opinion the bureaucratic management of the Port Authority will sabotage, by the most subtle means, as it has heretofore done, any plan that may remotely compete with its expanding empire.

We suggest that the words "other common carriers" in line 166 page 9 be deleted as it clearly refers to bus service. We also ask that the words "buses, parking lots," be deleted at the end of line 170 on page 9.

We cannot remind the Committee often enough that we are dealing here with rail transit and to inject any bus service into the picture will as heretofore stated result in utter confusion and delay. Its the rail service that is sick, the bus service is privately owned and prosperous and needs no help from the Legislature at this time.

Dealing next with Article 4 at pages 10 and 11 we

urge with all of the emphasis at our command that the Comptroller of the State of New York and the Treasurer of the State of New Jersey and their legally authorized representatives be authorized and empowered from time to time to examine the accounts and books of the District, including their receipts and disbursements, contracts, leases, sinking fund, investments and such other items referring to their financial standing as such Comptroller or Treasurer may deem proper; that such examination may be made by either official at any time, or by both financial officials acting together, and that the cost of such examination shall be borne by the District. The report of such examination shall be submitted to the Governors of the states of New Jersey and New York. This would be in conformity with the requirements imposed on the Port Authority by the State of New York in 1929 and belatedly imposed by the State of New Jersey in 1950. The difficulty is that these laws do not require the Port Authority to pay for the audit as we now suggest the District should. If the states required the Port Authority to pay for the audit and it were undertaken, much information now not available would be disclosed to the advantage of the public.

Our final suggestion relates to the matter of a quorum of the Council as set forth in lines 19 to 25 inclusive on page 11. You will recall that the Council is made up of 16 members from each state. We believe that a quorum should consist of at least 9 members from each state and that at least 9 members from each state shall vote in favor of any action that may be taken before such action shall become binding. A provision similar to this has been suggested

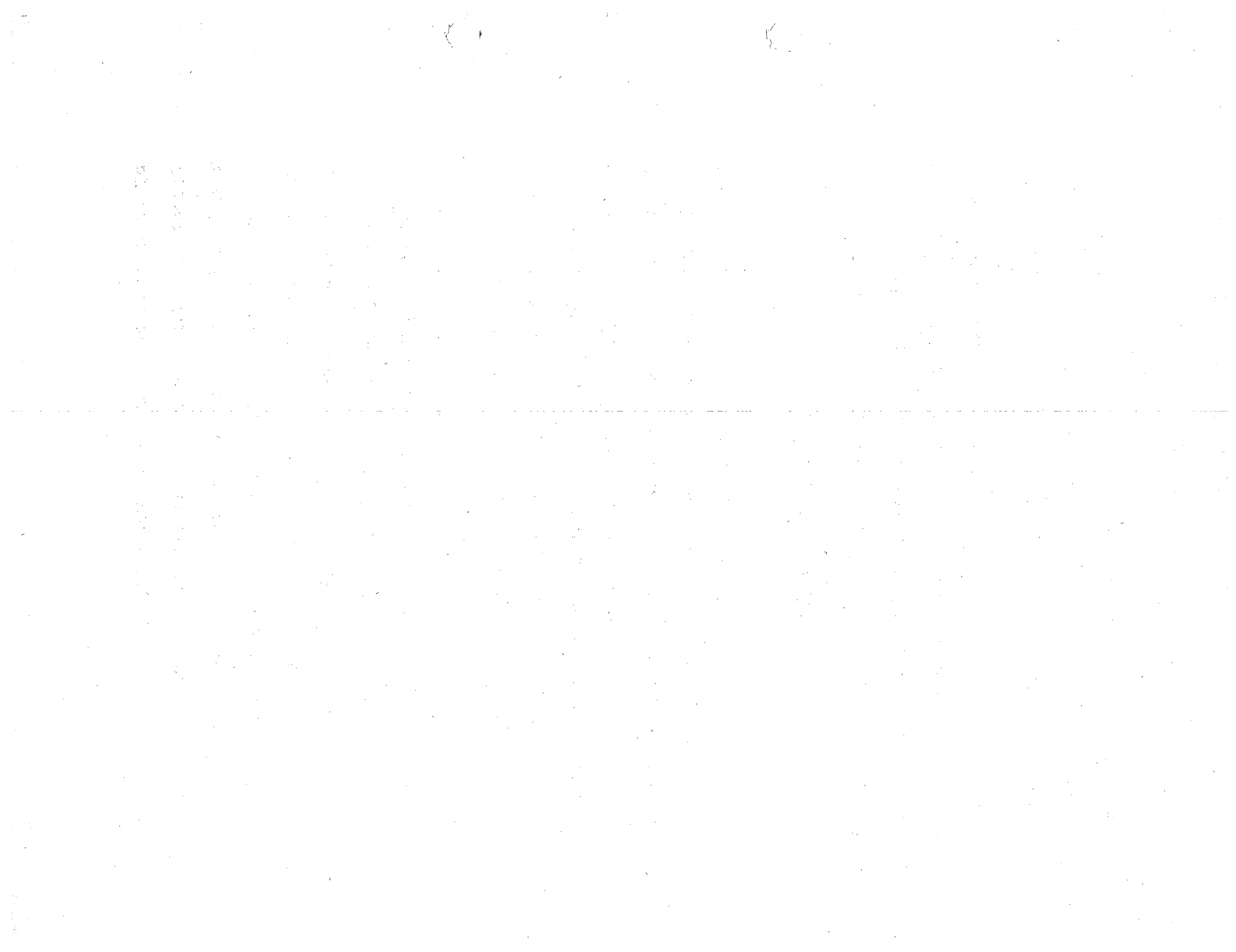
by us in connection with the proceedings of the Board of Directors. This provision will safeguard each state against a deflection of one or more members of one state in favor of the other state and will absolutely remove the possibility, as was indicated by Mr. Kesselhaut that New York might pick up one or two votes from an outlining district in New Jersey and in that manner control the action of the Council. We believe this suggested safeguard is absolutely essential for the protection of the people of each state.

Whether the objections heretofore stated against Assembly Bill No. 115 and Senate Bill 50 are cured by amendment the Hoboken Chamber of Commerce is nevertheless against its enactment because it believes that the Port Authority should undertake the job of providing adequate rail transportation in all its phases between northeastern New Jersey and the Borough of Manhattan in New York City.

Assembly Bill No. 16

I now wish to address myself to the provisions of Assembly Bill #16 which provides that the Port Authority should take over the job of providing rail transportation across the Hudson River between the two states.

In the first place, let me say that I agree with the position taken by the Port Authority in its memorandum submitted to your Committee, wherein objection is made on page 6 that the



bill purports to direct the Port Authority to develop the facilities for rapid rail transportation, quote "within the Port of New York District."

In our opinion it is inadvisable to require the Port Authority to develop rapid rail transportation within the entire district because that would, as they properly contend, embrace, I believe, the entire City of New York and parts of Westchester County and Long Island. What we are primarily concerned with is rail transportation across the Hudson between the two states, therefore, the bill should confine itself to that objective.

While there is substantial authority for the statement that "rail rapid transit," as the term is commonly understood, cannot be operated at a profit, we are not here concerned alone with rail rapid transit, we are concerned with rail transportation in its broadest sense, of freight and passengers generally, as contemplated by the legislation adopted by this state in 1952 creating the Metropolitan Rapid Transit Commission and further as contemplated by the 2 states in the Compact creating the Port Authority wherein the transportation of freight by rail across the Hudson River directly into New York City was the primary reason for the adoption of the Compact.

The Port Authority is everlasting confusing the issue in the minds of the public by making it appear that the problem is simply one of "rapid transit." It is easy to build up a straw man in the form of "rapid transit" and then knock it down.

What we are interested in is rail transportation in its broadest aspects, which it is contended can be operated at

a profit.

With this preliminary statement we desire to make the following suggested changes in the Bill:

Amend the title by deleting reference to rapid transit in the Port of New York District so that the first three lines of the title will read as follows:

"An Act to facilitate development by the Port of New York Authority of facilities for interstate rail transportation of freight and passengers across the Hudson River between northeast New Jersey and the Borough of Manhattan in New York City, and supplementing"

Substitute on page 1 for line 8 of Article 1 the words "interstate rail transportation of freight and passengers across the Hudson River between northeastern New Jersey and the Borough of Manhattan in New York City."

Delete on page 2 in line 5 of Article 2 the words "rapid transit project" and substitute therefor the words "An interstate rail transportation service for freight and passengers."

Delete on page 2 in lines 2 and 3 of Article 3 the words "rapid rail transit facilities" and substitute therefor the words "said interstate rail transportation facilities for freight and passengers."

Delete on page 2 in line 4 of Article 3 the words "rapid rail transit" and substitute therefor the words "transportation of freight and passengers."

Insert on page 2 in line 5 of Article 3 after the word "within" the words "the New Jersey sector of."

Delete on page 2 in line 1 of Article 4 the word "rapid."

Delete on page 3 in lines 4 and 5 of Article 5 the words "rapid rail transit purposes" and substitute therefor the words "rail transportation facilities."

Delete on page 3 in line 17 of Article 5 the words "rapid rail transit purposes" and substitute therefor the words "rail transportation facilities."

Delete on page 3 in line 1 of Article 6 the word "rapid".

Insert on page 3 in line 2 of Article 6 after the word "transportation" the words "of freight and passengers."

Delete on page 4 in line 10 of Article 8 the words "rapid rail transit" and substitute therefor the words "rail transportation."

In the statement accompanying the Bill and in conformity with the suggested amendments just referred to, the first sentence of the statement should be amended to read:

"There is an increasing need for rail transportation of freight and passengers between the northeastern section of New Jersey and the City of New York."

It is also suggested that the first sentence of the second paragraph of the statement be changed to read:

"It is in the public interest that a better system of passenger and freight transportation be established in the New Jersey section of the District, since a large number of the residents rely upon rail transportation daily."

It is finally suggested that the last paragraph of the statement be changed to read:

"Therefore, this bill proposes to direct the Port of New York Authority to carry out the development of interstate rail transportation of freight and passengers across the Hudson River."

With the changes in the Bill as above enumerated and particularly with reference to the necessity of eliminating any reference to developing transportation facilities in the entire Port District, the Hoboken Chamber of Commerce recommends and urges the passage of Assembly Bill #16.

Before closing, however, the attention of the Committee should be directed to the provisions in the Compact creating the Port Authority in 1921 and the Comprehensive Plan adopted by both states in 1922 pursuant to that Compact.

Section Sixth of the Comprehensive Plan reads as follows:

"Sixth. That freight from all railroads must be brought to all parts of the port wherever practicable without cars breaking bulk, and this necessitates tunnel connection between New Jersey and Long Island, and tunnel or bridge connections between other parts of the port;"

Paragraph 4 of Article Ninth of the Comprehensive Plan reads as follows:

" 4. Manhattan service. The island of Manhattan to be connected with New Jersey by bridge or tunnel, or both, and freight destined to and from Manhattan to be carried underground, so far as practicable, by such system, automatic electric as hereinafter described or otherwise, as will furnish the most expeditious, economical and practicable transportation of freight, especially meat, produce, milk and other commodities comprising the daily needs of the people. Suitable markets, union inland terminal stations and warehouses to be laid out at points most convenient to the homes and industries upon the island; the said system to be connected with all the transcontinental railroads terminating in New Jersey and by appropriate connection with the New York

Central and Hudson River railroad, the New York, New Haven and Hartford and the Long Island railroads."

The last sentence of paragraph 5 of Article Ninth of the Comprehensive Plan reads as follows:

"The system to bring all the railroads of the Port to Manhattan."

Paragraph 8 of Article Ninth of the Comprehensive Plan in part reads as follows:

"8. The port of New York authority is hereby authorized and directed to proceed with the development of the port of New York in accordance with said comprehensive plan as rapidly as may be economically practicable and is hereby vested with all necessary and appropriate powers"

Attention is also directed to Article Seventh of the Compact, the first sentence of which reads as follows:

"The port authority shall have such additional powers and duties as may hereafter be delegated to or imposed upon it from time to time by the action of the legislature of either state concurred in by the legislature of the other."

From all of the foregoing quotations it is manifest that the Port Authority was not only authorized to bring all of the railroads from the New Jersey side into Manhattan but it was actually and positively "directed to proceed with the development" of the port of New York in accordance with said Comprehensive Plan."

Why the Port Authority has not obeyed this mandate is difficult to understand except that it found it more interesting and profitable to develop vehicular traffic to the point of saturation in the Metropolitan area and ^{more interesting} to engage in the 23

enterprises listed in the memorandum submitted by it to your Committee, and branching out into 11 new enterprises involving commitments of over \$700,000,000. With these additional commitments, gentlemen, the Port Authority will be operating 34 different enterprises. Year after year the Port Authority has contended that it cannot undertake the construction of rail transportation facilities as directed by the two states by labeling the problem "rapid transit." It is hard to understand why the financing of the Narrows Bridge to the extent of \$350,000,000 for the benefit of the Tri-borough Authority is more important than solving the desperately needed rail transportation problem in New Jersey.

The Chamber of Commerce feels that the Port Authority should undertake the work outlined in Assembly Bill #16.

CHAIRMAN CRABIEL: Thank you, Mr. Schroeder. Any questions?

ASSEMBLYMAN KESSELHAUT: I would just like to say, Mr. Schroeder, that the Committees appreciate the detailed analysis and the time you have consumed in analyzing both of these bills. We certainly appreciate it.

CHAIRMAN CRABIEL: That will be all, Mr. Schroeder.

I will call Mr. Ben Schlossberg.

BEN SCHLOSSBERG: First, let me congratulate you gentlemen for having the patience and the callous to sit here so long.

You were kind enough to accept the protests of Ed Carey, Director of our Hudson County Board of Freeholders, last week, - Ed is with us again today, with former Assemblyman Jack Duszynski who is one of our Freeholders at the present time, and John Lewis, another one of our Freeholders. Our Board of Freeholders is non-partisan, although we are a Democratic

County. We have six Democratic Freeholders and three Republicans. They act as a unit. We are absolutely opposed to the present bills. We are in favor of the Musto bill.

We have some data which I just gave you and I'll be finished in a half a moment.

We met last Monday, the Board of Freeholders, our two Congressmen, our Mayors and County Officials, and I have been authorized to express their views. I repeat, we are against this but we are very much in favor of the Musto bill. We are at a loss to understand the crocodile tears of Mr. Tobin, the Economist-boss of the Port Authority, who comes here, and I listened to him, and says very frankly that "we will not entertain, we can't entertain because it costs too much. We just can't go into this transit situation." And he said, continuing his scare movement against our people in Hudson County, that the fares would have to be increased from 50¢ to 75¢. We have investigated this so-called deficit and we think we have a scheme to offset Mr. Tobin's contention that they could not afford to undertake it, and I think I have given you the copy, Mr. Chairman.

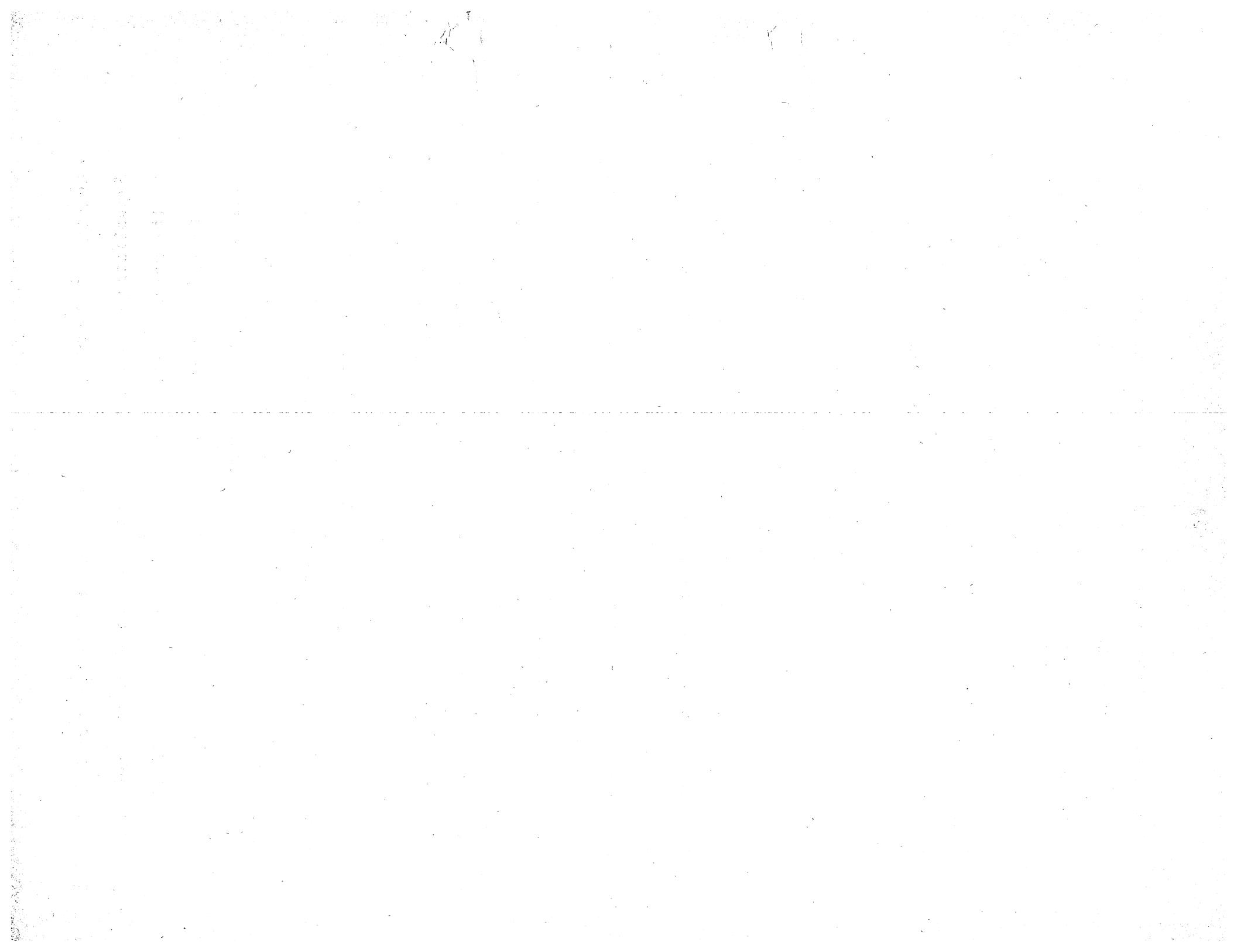
Now, do you want me to read this or --

CHAIRMAN CRABIEL: Whatever you desire. It will go in the record either way.

MR. SCHLOSSBERG: Well, as a matter of saving time, you can have it. I don't have to read it.

CHAIRMAN CRABIEL: Very well.

MR. SCHLOSSBERG: Now, we claim that the Port Authority has done New York a favor and is continuing to do New York a favor by its many financial undertakings, namely, the Narrows



Bridge and all this traffic situation. And in our statement we show where the income can warrant any so-called deficit claim of Mr. Tobin. All New York has to do is sacrifice part of their income tax that they collect from our people in New Jersey and there will be ample funds to take care of any deficit.

And at the risk of repetition, we thank you for your courtesy and we are against this and we would love very much for you to consider turning this matter over to the Port Authority.

CHAIRMAN CRABIEL: Thank you very much.

(Following is the prepared statement submitted by Mr. Schlossberg)

At last week's session, Mr. Tobin of the Port Authority, backed by an amazing array of experts, said if the Authority river crossing tolls were increased 25 cents per passenger vehicle to pay for the deficit of a rapid transit system, traffic would fall off an estimated 10 per cent.

From newspaper reports, I'd say the City of New York would welcome this decrease in auto traffic which is now jamming its streets to the point of immobilization.

Last week Mr. Tobin also said 128,000 New Jersey commuters enter and leave the City of New York every working day. Mr. Tobin, whose eye reaches as far as Connecticut and beneath the sidewalks of New York, said this number is insignificant when all commuters travelling inter and intra city are considered.

But, I'm sorry to say, the income tax collector of the State of New York does not take the 128,000 Jersey residents who toil in New York as lightly as does Mr. Tobin.

I say this because if the tax collector assesses each Jersey resident \$50 a year income tax -- and the average may

be higher -- our people are worth more than \$6,000,000 to the State of New York.

To look in another direction, I feel the City of New York owes Mr. Tobin a big favor for his pledge to spend half a billion dollars to build a bridge over the Narrows for the Tri-borough Bridge Authority and open up Staten Island for development.

I'm sure if Mr. Tobin asked the City of New York to return the favor, it would have the State of New York allocate the \$6,000,000 of Jersey income tax to help him with a rapid transit deficit.

Now if Mr. Tobin were to get a 50 cent piece from each of those 128,000 commuters either in rapid transit fare or from what they spend at concessions leased by the Port Authority, he would realize \$64,400 a day.

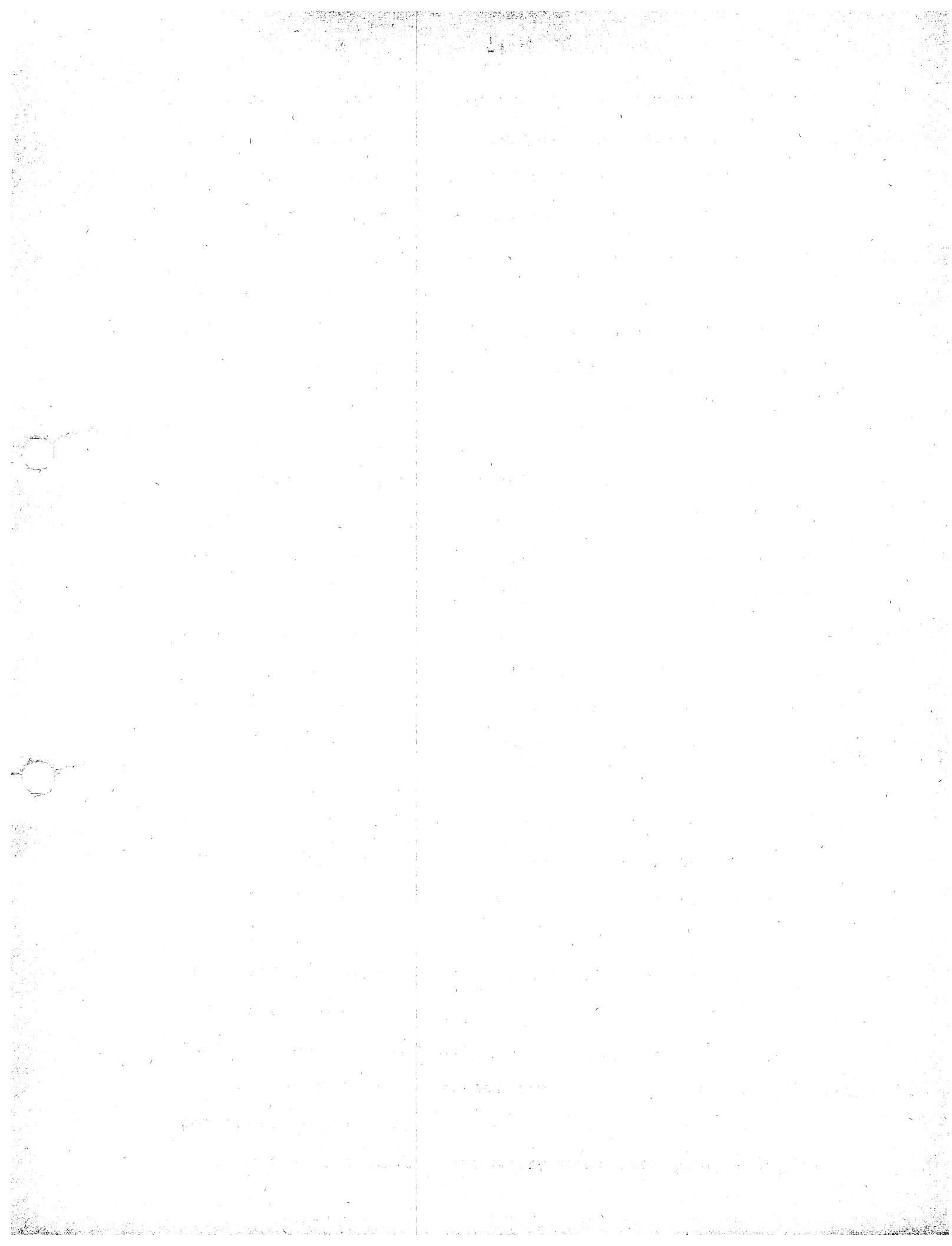
In a five day week, this 50 cent piece would grow to \$322,000, and over a 50 week period amount to a nice sum of \$16,200,000.

If all this were to happen, Mr. Tobin would have \$22,200,000 annually for a rapid transit system.

Since New York City really must have a rapid transit system to feed its executives, workers, shoppers and theatergoers, I'm sure they would be glad to give Mr. Tobin the \$3,200,000 they pledged to a rapid transit system.

If Mr. Tobin were to receive all these moneys, totaling \$25,400,000, I'd say from my unexpert view he could operate a rapid transit system with little or no deficit.

As for Hudson County, gentlemen, we cannot afford \$1,300,000 to solve New York City's rapid transit dilemma.



CHAIRMAN CRABIEL: Mr. James P. Birch, Transit Committee of Bergen County.

JAMES P. BIRCH: Mr. Chairman and gentlemen, my brief statement will have to do with a critical area in the northeastern part of the State. I am from Bergen County. We now have a population of 712,000. The regional plan forecast is for a population of 1,100,000, by 1975. The area is served now by four railroads - the Erie, West Shore, Susquehanna, and Northern. For the past three years we have been engaged in very costly litigation in an attempt to prevent abandonment of rail and ferry service, or passenger service. Only this morning the Attorney General of the State of New Jersey, the Counsel for the counties and the municipalities, appeared in federal court to attempt to get a stay of execution on a decision that might possibly have resulted in abandonment of ferry service. That would have involved the West Shore, the Susquehanna and the Northern riders.

Let me give you a brief illustration of the peculiar layout over in that area of the State. The West Shore alone starts service up in West Haverstraw, New York, and picks up passengers and comes down through Rockland County, and its terminus is in Weehawken, where the passengers get on ferry boats. They are joined there by 3,000 commuters from Weehawken who come down by bus from the top of the hill, up on the tier area.

Our problem, and I say it reluctantly, has resulted in more and more people resorting to private automobiles and we are cluttering up the highways in increasing numbers.

Because of the acute problem in that area, we have watched

this legislation, or proposed legislation, for a bi-state agency with very real and earnest interest, and we do recommend an early passage of the bills, Senates 50 and A-115, for a bi-state agency.

The gentleman for the Association of New Jersey Railroads put it forth very clearly this morning when he testified - I'm not going to read his full paragraph but he did say: "This bill provides for nothing more than detailed planning and negotiations with interested parties." And further on it goes on to say, "any plans developed must be approved by the Legislatures of both New Jersey and New York before it can be put into action." In other words, the control is vested right here in the Legislature.

Well, I'm not an attorney. I rather like the bill for what it states, - the gentlemen of the New Jersey Legislature and the New York Legislature control.

I have heard some discussion here today - I sat over in the far corner - about including in the New Jersey bill that the Port of New York Authority must do it, or words to that effect. But you do control right now and any recommendation from the proposed district would have to be passed on in this Legislature, as well as in New York.

I am sincere and I do fervently hope that the bill will eventually be passed to give us much needed relief up in the northeastern part of the State. We are but a small link in a big chain.

Thank you.

CHAIRMAN CRABIEL: Any questions of Mr. Birch?

DR. FLINK: Just one factual question, Mr. Birch. If I understood you correctly, you started out by saying that Bergen County now has a population of 112,000 --

MR. BIRCH: No. 712,000. And the regional plan forecast is for an increase of about 400,000 by 1975. I should have mentioned also, Doctor, that the population in Rockland County, which is our neighboring county - we're sort of a channel for Rockland County to go through. I mean, they've got to go through Bergen County to get to the river. It's well in excess of 100,000.

DR. FLINK: Do you have any idea as to the number of commuters that are involved on the West Shore line?

MR. BIRCH: Yes, sir.

DR. FLINK: What's the number, Mr. Birch?

MR. BIRCH: On the West Shore - and this is by actual train count, now, - we call it by carriage - we had 4,000 commuters a little over a year ago, but that figure is always in dispute. We can go a little higher than that because all railroads - and it must be a source of annoyance and nuisance to the railroads - must carry deadheads, you know, free loaders. I call them free loaders. They use that term in saloons too.

DR. FLINK: I know. There are about 6,000 involved.

MR. BIRCH: 6,000 riders. And then we pick up 3,000 ferry riders from Hudson County. Now the ferries go across to 42nd Street and there's another boat that goes down to Courtland Street. It is divided about 50-50 for uptown-downtown.

DR. FLINK: Mr. Birch, are you familiar with a survey that's supposed to have been made in Bergen County recently, a survey reported to the Committee by a member of the Committee,

according to which a great majority of railroad commuters in Bergen County would prefer to shift to buses, rather than use the railroads?

MR. BIRCH: Well, I'm glad you asked that question, Doctor. Mr. Tobin of the Port Authority testified last week - or he made a statement - and understand that I have great respect for Mr. Tobin - he said, Bergen County could be adequately served by buses, that is, an all-bus operation. Well, it's only logical, with a population of 712,000 and a population that is really growing in leaps and bounds because up in the north-western part of the State we still have woods and fields that within three or four years are going to be opened up - you cannot serve adequately a population of over 700,000 by buses alone. We must have rail and bus service with - you know, the old story, a train carrying 90 passengers, a ten car train - 900 people, going at high speed over rights of way - it's absolutely essential.

DR. FLINK: You appreciate the reason why we ask this question - because we are now getting from Bergen County two different views supporting the same bill, or two diametrically opposed views.

MR. BIRCH: Well, honestly, I never did hear of the other man or the other witness that you had testify. He must have been in favor of all buses. But getting right down to it, we have got to have rail and buses.

Any other questions?

DR. FLINK: That's all.

CHAIRMAN CRABIEL: Very well, that will be all. Thank you.

I will call Mr. L. Alfred Jenny of Dumont, New Jersey.

L. ALFRED JENNY: Mr. Chairman, gentlemen: I appear here as representing the Mayor and Council of the Borough of Dumont, as well as myself.

Now, in view of the fact that I will speak as a railroad consultant with over 50 years of experience in this field, I have to lead up to what I am trying to do here by stating some background, then you can see why I am making some of the statements that I will make later on.

I appear before you as a Railroad Consultant, specialist on large and complicated railroad and railroad terminal problems with over 50 years of experience in this field. My first contact with the New Jersey railroad problem was as far back as 1908. In 1921 I was the first to point out the need for a solution of our commuter problem, and I then offered a loop plan which has been copied since in whole or in part in nearly every solution offered by others. Realizing some of the drawbacks of any loop plan, such as the need for backtracking many miles on each trip to reach one's destination, I offered a more effective and efficient solution in 1934.

In my many years of practice I have served both the railroads as well as the public, and I have come to realize that there are two sides to this problem. It is true that the railroads have done practically nothing to help themselves while seeing their passengers patronize in increasing number the publicly subsidized vehicular facilities. One of the most important reasons for this shift from the railroads is the fact that these railroads terminate on the west side of the Hudson River, with round-about, tiresome and costly means

available from there to reach one's destination. Experience has shown that this problem can only be solved in a satisfactory manner by giving the commuters a direct rail line into Manhattan with an independent distribution artery there.

In the early 1930's I made a two year study of this whole problem. This showed that, in order to reduce passenger deficits, the expensive facilities to be created should be used to their fullest capacity, day and night, and not just during the commuter hours. Under the plan devised then, all long distance passenger, mail and express trains would be brought into a new terminal in mid-Manhattan through the same tunnels that would carry the so-called rapid transit trains, while the freight trains would be brought in during the night and distributed in New York over the New York Central Railroad west side tracks. I offered this solution to the Metropolitan Rapid Transit Commission in 1956 with a complete report. I have been consultant on our acute New Jersey-New York railroad problem to our Department of Conservation and Economic Development on two occasions; the Public Utility Commission on several occasions, the New Jersey Regional Planning Commission; and the New Jersey Metropolitan Rapid Transit Commission.

The New Jersey Regional Planning Commission, after long and detailed study of this whole problem, concluded that it could be solved only in an efficient and effective manner by consolidating many of the existing facilities, and by bringing the long-distance trains, passenger, mail and express, as well as freight, directly into New York on rails, with an independent distribution line therefor our commuters.

At first, the Commission wanted the Port Authority to

undertake this task and to force it to carry out its mandate. However, after conferences with the Governors of New York and New Jersey and other interested parties, it was agreed that this problem should be handled by an independent Authority with no other interest to serve than that of solving this railroad problem. Its report of January 14, 1952 clearly shows this, and Chapter 194 of the Laws of New Jersey for 1952, which created the Metropolitan Rapid Transit Commission, directs this Commission to solve this problem as recommended by the New Jersey Regional Planning Commission. Unfortunately, it did not do this.

I know of more than 20 plans and reports which have been prepared on this subject. I, myself, have offered three plans and I have prepared six official and many private reports dealing with this problem over the last two decades alone. The question may reasonably be asked, why is it then that, with all of this effort and with at least six official commissions in New Jersey, three of them bi-state, who have studied this problem and have made reports, we have not yet solved it? The answer is very simple. There has been a lack of aggressive leadership on the part of our State leaders, both in New Jersey as well as in New York, and an apparent unwillingness to grapple with this acute problem. We must have top-level and aggressive leadership to succeed.

We now have reached a very critical stage. The Metropolitan Rapid Transit Commission has recommended the creation of a Transit District to handle this problem and there are some people who want the Port Authority to handle it.

Let me say here that I sympathize with those who want the Port Authority to undertake this task. I agree that it is not fair that one group, handling a certain type of traffic which

has proved to be very profitable, should continue to do so while another group, called upon to handle the deficit producing operation, should be asked to try to solve this and have the people pay for the deficits.

There should be set up some kind of balance between these operations. However, I am opposed to giving this broad and over-all railroad task to the Port Authority and I will state why I am opposed to this.

I have advocated for at least ten years that the Port Authority be made to pay a certain sum each year as a subsidy to correspondingly reduce any deficits that may have to be borne by others, not necessarily all by the people within the District, as has been proposed.

In my 1956 report, submitted to the Metropolitan Rapid Transit Commission, I recommended a broad over-all approach to this problem, with equally broad passenger and freight solutions. In my plan the New Jersey facilities in Manhattan were coordinated with those from Westchester and Long Island, thus not only helping the people from these areas, but very materially increasing the net revenues of the project. But, I must confess that although only two years have elapsed since that report was made, and even with its much broader approach than that followed by the Metropolitan Rapid Transit Commission, it is inadequate today because of the fast deterioration of our railroad passenger service and the threats of wholesale abandonment of services and railroad lines or facilities of various kinds. This requires a new approach, with some clear thinking and bold and prompt action. We need top-level leadership both in New Jersey and in New York.

Proposals have been made by some railroads for turning over certain railroad facilities to a public agency, while other railroads have proposed to operate the required passenger service provided some public agency paid the bill. Others have stated they would let a public agency operate the passenger trains while they continued to operate their freight trains.

Now, what is all this leading up to? Let us review this objectively. In the first place, I believe that we are on the threshold of an entirely new concept of metropolitan railroad operation, and that it may be necessary for whatever public agency is charged with a solution of this problem to pay immediate attention to the problem of salvaging our commuter lines. That, in itself, is a very broad and important task for the best and highly specialized experts. It may mean that such a new agency may have to take physical possession of some of the railroads and take over their operation even before the so-called New Jersey - New York transit problem can be solved. However, if that should be necessary it would make the task easier to solve the latter problem.

In this connection one may ask, why should such a public agency take over the deficit passenger operations on any of these railroads, while permitting the railroad to continue to handle the profitable freight operations? Why not take over all operations of that particular railroad within the District? That in turn poses the question of, why not take over these railroads and their terminals within the District altogether? cut out costly duplications, consolidate facilities where proved economically feasible, and operate them in the public interest?

These questions call for solemn reflection. But, here again, they raise other questions such as: Why not take the profitable New Jersey-New York vehicular facilities and turn them over to a new Transportation Authority, and let that authority balance the income from the profitable facilities with the deficit producing facilities and thus avoid deficit financing at least to a considerable extent?

The problem which must be solved is so broad and so far reaching, and may ultimately take in three states, as to require the creation of a Transportation District and Authority. It is not just one small phase of the problem such as the so-called rapid transit problem that we are here confronted with. That, most assuredly, is not a task for the Port Authority, and that is why I favor the creation of the Transit District as proposed in S-50 and A-115. I must admit that I agree with others that there are certain weaknesses in these bills. In the first place, they are not founded on a broad enough conception as to what is required, or to give the new agency the necessary power to solve the many other problems cited above and which actually confront us today.

I believe in compromise. Many opposite viewpoints have been expressed without knowing whether or not certain things can be done. I have long ago advocated that we seek a Federal as well as a Port Authority subsidy. Some people have suggested that we obtain a state subsidy. Several attempts have been made to obtain a federal subsidy for such facilities - one in 1955 by Congressman Fallon from Maryland, and one in 1957 by Congressman Mailliard from California. Incidentally, Congressman Fallon had proposed that the federal government pay

50% for ordinary rapid transit facilities. And for a facility such as this, which is interstate, we should get a much higher ratio.

Now, coming back to Congressman Mailliard's introduction, he introduced H.R. 231 which would have created a House Committee to ascertain, (1) whether such local railroad facilities were making adequate provision for federal requirements - which, incidentally, they do not - and (2) to what extent federal financing was required. Unfortunately, this bill was held up in Committee and to my knowledge none of our Representatives made any efforts to bring it out of Committee. That would be the first important step required to obtain a federal subsidy.

Recommendations: In view of the great need for prompt action - and I want to stress that, "prompt action," gentlemen - and in view of the fact that New York has approved the District Bill, I recommend that A-115 be approved by the Assembly so that we will then have concurrent legislation with New York on this subject, as is required. However, in view of some of its shortcomings, and too limited scope, a joint resolution should be passed directing the new Board of Directors of the District to do the following:

1. Establish a formula for allocating operating costs between railroad passenger and freight operations on our commuter lines that would not be unduly burdensome to the commuters, and not unfair to freight. With this formula determine the actual net revenues obtained by these railroads from both the passenger and freight operations from the traffic within the commuter district. Then, determine what, if any, financial aid should be given to any one of these railroads, and whether or not such

portion of that carrier may have to be taken over by the District and operated for the economic and social benefit of our people.

2. Review past efforts made to establish a federal subsidy for such metropolitan railroad projects and press for federal legislation providing for such a subsidy.

3. Study the question of a possible state subsidy, and to what extent such a subsidy should be given and make appropriate recommendations for such action.

4. Review the revenues obtained by the Port Authority from its New Jersey-New York vehicular facilities, and appropriate expenses charged thereto, and determine what portion of these revenues should, in fairness to our much broader over-all problem, be allocated towards meeting the cost of any of the proposed railroad facilities and recommend legislation to effectuate this proposal; also determine and report on how soon the revenues of these vehicular facilities should not longer be pledged by the Port Authority for facilities not directly connected with this New Jersey-New York traffic problem, and which should thus be frozen for allocation to the proposed railroad facilities, bearing in mind that these revenues are pledged to presently outstanding bond issues, but which should not be pledged for renewals thereof.

5. Press for federal legislation removing Interstate Commerce Commission jurisdiction over railroad and allied facilities or services and fares within the jurisdiction of the new District Authority, and determine and report as to what extent this new Authority should have jurisdiction over such services and fares within its District, realizing that it must

have such jurisdiction over facilities owned or controlled by it.

6. Submit a plan that will solve our broad over-all New Jersey-New York railroad problem designed for the distant future, not just rapid transit, and that will include all types of railroad traffic, under all conditions, including civil defense and the consolidation of railroad facilities, where found feasible, and which plan will thus have a far reaching beneficial effect upon the region as a whole as well as the nation, and that will also be an aid in the development of the Hackensack Meadows from which the entire New Jersey-New York metropolitan region would benefit, as has been shown to be feasible in at least one of the plans submitted.

Now, gentlemen, that is the end of this statement. But in view of the fact that testimony has been introduced here today regarding the Hudson & Manhattan Railroad, I would just like to say a few words on that.

I thoroughly disagree with everything that Mr. Stichman - or whatever his name is - of the Hudson & Manhattan Railroad has stated here today. He is too over-optimistic as to what his railroad can do. Let us not forget that the Hudson and Manhattan Railroad was conceived in the late 1870's. They started to build it early in 1880 and failed, and nothing was done until about 1892 when again it failed. Then in the late 1890's the McAdoo Brothers were able to finance it and they took it over and finished the job.

Now, you must realize that this facility was conceived truly in what we call the horse-and-buggy days, because around 1870 we had no automobiles. The cars are too small for any modern rapid transit facility. The curves are too sharp. The

Hudson Terminal is too limited. And when he speaks of running the trains over the Hudson & Manhattan and up the New York City Subways, that to my mind is just nothing but a good pipe dream.

The Metropolitan Rapid Transit Commission tried to use the H&M and it was found then that out of the 30 trains that go through the tunnel from New Jersey to New York during the rush hour, only 15 trains could go over the H&M - over the B&M, excuse me. And that could only be done by cutting out six trains from Brooklyn on the B&M.

On the other hand, a report was made on improving the Hudson & Manhattan service and running trains from the Airport in Newark. This was in 1949 when the Port Authority submitted the report to the Legislature and the Governor. And in that report it was clearly shown that any added traffic over the Hudson & Manhattan could only be done at the expense of existing traffic. In other words, trains had to be eliminated to do that.

Now, to bring the Hudson & Manhattan up either the East Side IRT or the West Side IRT would also mean that some of these trains on these arteries would have to be eliminated. And you can just bet your bottom dollar that the people in New York City would not stand for that.

Now, I think that it's foolish to press one's hope on an undertaking of that kind. The Hudson & Manhattan cars are a foot and a half narrower than standard railroad cars. You can't bring freight, mail or express into New York on that. You would have to load it and unload it to get it into the smaller cars and that costs money and you lose everything that

you would gain. The only way that you could bring these other things into New York is on standard railroad cars, and I have long ago advocated that the whole system should be built large enough for standard railroad cars.

So, I thought that session here was concerned primarily with the bills before the Legislature, that you were not going to talk about plans. Otherwise, I could have brought in a long story and could have taken up several hours of your time because of my background with this whole thing. So, I felt that I had to say a few words regarding the impossibility and the impracticability of using the Hudson & Manhattan.

And furthermore, one more point: When he wants to use these facilities, let's not forget that the Hudson Terminal only can take care of eight of those small Hudson & Manhattan cars on a track at the platform. But only six of those cars actually are on a straight track, the two end cars are always on a curve. They can't increase that. That's impossible. So how can you go and increase the capacity of it? It can't be done. You would have to rebuild the whole thing at a tremendous cost.

Now, furthermore, I have learned this as far back as 1920 that the people from northwestern New Jersey, traveling on the Erie Railroad, New York and New Jersey Railroad, and the Boonton Branch of the Lackawanna, would have to go down to Jersey City and then up again in Manhattan to reach their destination in mid-Manhattan. They would have to travel about eight miles each way, each day, unnecessarily and at additional cost, in order to reach mid-Manhattan.

You must not forget that today about two-thirds of all

the commuters from northeastern New Jersey terminate in what is generally called the area of mid-Manhattan. Now, you cannot go and bring them down to Jersey City first and then up again into mid-Manhattan. They just wouldn't do it. They will take other facilities.

I thank you, gentlemen.

CHAIRMAN CRABIEL: Mr. Jenny, you were talking about other facilities, what other facilities are there now?

MR. JENNY: How do you mean?

CHAIRMAN CRABIEL: In other words, you just said that the people are going to mid-Manhattan. Now, how do they get to mid-Manhattan other than the Pennsylvania Railroad tunnels?

MR. JENNY: Highway. By highway. Buses, cars, forming car pools and things of that sort.

CHAIRMAN CRABIEL: Mr. Stichman said that in 1927 he carried 113,000,000 passengers in a year and in 1958 he is only carrying 31,000,000. Now, it would look on the surface of things that he could carry 82,000,000 more with the facilities he has. Is that not a true statement?

MR. JENNY: That statement may be true but it's misleading. At that time the lower part of Manhattan was the business center but that has changed. Since about the late 20's and early 30's, mid-Manhattan has grown to be the business center of New York and a lot of the traffic that used to be going downtown is now going to mid-Manhattan. Years ago, about 60% of our commuters had destination in downtown New York. Now, I am on the West Shore Railroad and the downtown ferries were always crowded, lots of people on them, and the 42nd Street ferries never were as crowded; but today it is the opposite. And all the traffic has shown -- for instance,

95% of all of the vehicular traffic comes into mid-Manhattan over either the George Washington Bridge or the Lincoln Tunnel. Now, the Holland Tunnel only carries about 5%.

CHAIRMAN CRABIEL: Is there anything to stop the connection of the various railroads with the Pennsylvania so that you could get them to transfer at the Pennsylvania and go right into mid-Manhattan?

MR. JENNY: Physically, no. There is nothing impossible. That can be done. Certainly. But, there again, Pennsylvania Railroad has been trying to get rid of some of the Long Island traffic that it has and also some of the other railroads. And that's why the B & O left the Pennsylvania some years ago and then established its buses going to mid-Manhattan. I doubt that you could get much traffic into the Pennsylvania Station, not during rush hours. You must not forget - and there's one important thing to remember in connection with out commuter traffic - the Pennsylvania Railroad terminal was built as a terminal for through trains, for the Pennsylvania Railroad. That Railroad worked with the Hudson & Manhattan Railroad, way back in the early days of this century, and insisted that the Hudson & Manhattan be carried up as far as 32nd Street and Sixth Avenue, so as to bring the local commuter traffic from the Pennsylvania Railroad up into that section so that it would not have to handle that traffic in its terminal.

As far back as 1932 and 1933 the Pennsylvania Railroad only handled about a quarter of a million of commuters in its Penn Station from New Jersey. In 1945, that was, of course, a war year when a lot of people didn't have their automobiles, it ran up over five million, from a quarter of a

million. But it has since that time come down to about three and a half million. So that it is fair to say that the Pennsylvania Railroad today handles ten times as many commuters in its Pennsylvania Station as it did in the early 1930's when everybody says we had this peak of traffic. Now, why is that? Because you can go from Trenton or from Princeton into the Pennsylvania Terminal in one hour. Now, that's about 50 miles or maybe near 60 miles. I live only 13 miles out on the West Shore. It takes me an hour to an hour and a quarter to go in there, because I have to go down to Weehawken, transfer to a ferry, then take a bus in New York to reach my destination. So, Princeton and Trenton are both four times as close to the center of Manhattan as my own home town is because of that facility provided by the Pennsylvania Railroad. And if you do something like that for the other railroads, you will soon have people going back to the railroads.

CHAIRMAN CRABIEL: All right. You say in your statement that you support S-50. What is your thinking as to who is going to finance S-50.

MR. JENNY: I made my recommendations on the last page of my statement - find subsidies. A federal subsidy, possible state subsidy and from the Port Authority. Now, everybody has been guessing as to whether or not the Port Authority could or could not do this. I disagree wholeheartedly with what the Port Authority has stated, that it could not do it. It can if it wants to. There is nothing in the law that I know of that prevents it from doing it.

CHAIRMAN CRABIEL: Very well. Any other questions?

DR. FLINK: Just one small question, Colonel Jenny. You mentioned that there has been in the past two or three decades a trend from lower Manhattan to midtown.

MR. JENNY: That's right.

DR. FLINK: Are you aware of the fact that there has been a recent renaissance of lower Manhattan, that there are projects not only on the drawing board but actually being put into practice that will provide multi-million dollar office buildings, etc., in lower Manhattan?

MR. JENNY: I'm well aware of that fact and you can rest assured that those areas will be served primarily by the Central Railroad of New Jersey and the Lackawanna Railroad, and the people from up my way will try to find work in mid-Manhattan which is much more convenient.

DR. FLINK: Oh, I agree with you --

MR. JENNY: I understand that and Mr. David Rockefeller is the man who is pushing that and, of course, they started the Rockefeller Center, - that was built in the late 20's - and that has started a whole circle of new buildings being built around that area and the Grand Central Terminal, as well.

DR. FLINK: Sure. But with this development of lower Manhattan, there is at least a possibility that there will be a renewed and extensive demand for employees who may come from Brooklyn, Manhattan or New Jersey.

MR. JENNY: That's right.

DR. FLINK: That's all I'm driving at.

MR. JENNY: That's right. It will be a rejuvenation of some kind in the downtown business circle. That's right. They have been losing very much.

DR. FLINK: Thank you, Colonel Jenny.

CHAIRMAN CRABIEL: Thank you, Mr. Jenny.

I would like to direct a question to Mr. Simon of the MRTC but before I ask him, is there anyone else here who cares to speak on this problem? (No response) Very well, we would like to have Mr. Simon come forward.

FRANK SIMON: Mr. Chairman, if I may, before you ask a question of me, I would like to have the opportunity to say a few words. I didn't plan to make any statement today. I only came here as an observer and to be available, just as you asked me now, to answer any questions you might ask. But I heard some remarks today that I would like to address myself to for a couple of minutes, all from Mr. Stichman.

He in his statements, I thought, was impugning the integrity of the Commission and its Consultants. He sort of intimated that, because the Commission financed a great part of its studies with an \$800,000 appropriation from the Port Authority, our Consultants were colored by that. Now, nothing could be further from the truth and I want to object to that inference which Mr. Stichman made. And just to indicate my objection, I would like to go into a little history.

When we first made an agreement with the Port Authority for the financing of these studies, we anticipated that such an objection might arise later. And for that reason the Commission and the Port Authority both agreed that these studies should be under the coordinating supervision and direction of a project director who had no connection with either the Commission or the Port Authority, so that he could make a completely objective study without any pressure from either agency, and we chose such a man who had never had any

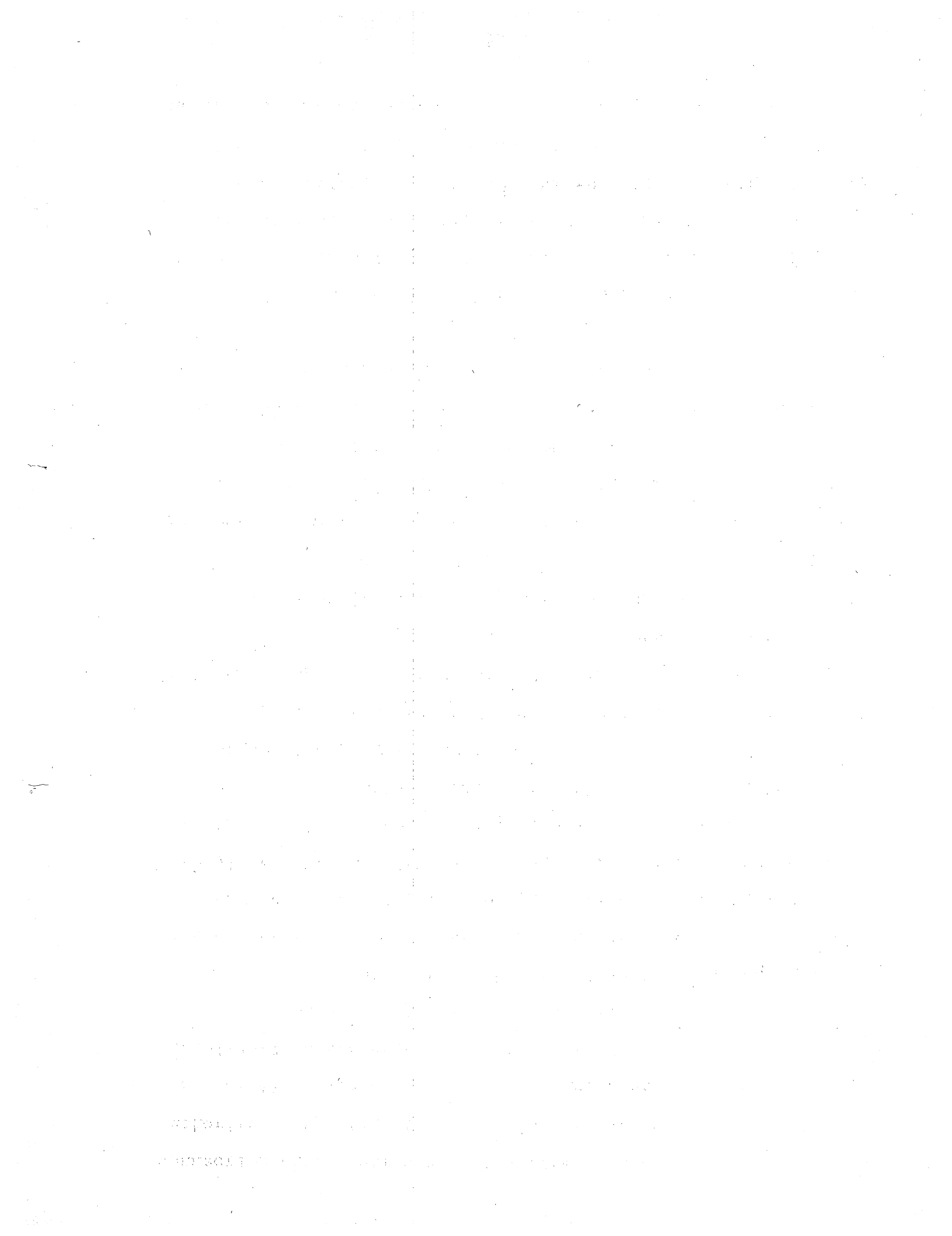
connection whatsoever with either the Commission or the Port Authority. And neither the Commission nor the Port Authority has ever exercised any pressures on Mr. Page or on any of the Consultants in the conduct of their study.

I would like to make that clear.

Now, I have a lot of arguments as to what Mr. Stichman said and about his plan, but I have no intention here of getting into any debate about those things. He made a lot of very general and irresponsible statements here. I disagree violently with some of the thing he said; he disagrees violently with some of the things that I have said. But that's a difference of opinion and that's what makes horse racing.

Just to show you one example of this - one plan that the Commission has reported on in its report, with a price tag on it of \$498 million, Mr. Stichman said that our engineers' estimates are entirely too low, that the cost ought to be closer to \$750 million. But in another plan that we have here that concerns the Hudson & Manhattan, he says our estimates are much too high, they should be made very much lower. He admits, of course, that he didn't spend any money on any engineering investigation into this and that they are only guesses on his part. And I wish you would keep this in mind when thinking about this.

Now, he also said that the plan preferred by the Commission would eliminate the Hudson & Manhattan. And I would like to point out that every one of the plans include the Hudson & Manhattan, and I would like to read one paragraph from the Commission's final report on page 9, the last paragraph, and the heading on this page is: Highlights of Recommendations



of the Commission, and the sub-heading is: A Physical Plan for Rapid Transit - No. 3. "Of particular concern is the plight of the Hudson and Manhattan Railroad. Its downtown line is the most vital transit link between Newark, Jersey City and New York and its service is an absolute necessity to the people of these communities. It is presently being operated by a Trustee under the Bankruptcy Act, and it is problematical how long it can continue service without public financial assistance. The Commission stresses the need for prompt attention to this problem." So, we do not contemplate in any way the closing down of the Hudson & Manhattan Railroad in any of the plans that we have presented in this final report.

Now, I would like to say that Mr. Stichman's plan is not new. We studied it. We studied even the later ones, long after this report was out. We have great detailed information on the operation of the Hudson & Manhattan, on the number of passengers it carries now, - we've counted them - on the number of passengers that would have to be absorbed on the Hudson & Manhattan if the ferries shut down, - we counted those people too. Our engineering consultant's report has all of those figures in it. As I say, we disagree with Mr. Stichman.

Now, regarding the traffic that the Hudson & Manhattan carries, when he talks about his traffic having declined from some 113 million to 37 million annually, I have had many long conversations with Mr. Stichman about this matter and you just cannot take such an annual traffic comparison as being valid. Most of his traffic loss has been on Saturdays, Sundays, and hours other than the commuter hours. His commuter traffic has declined somewhat, but certainly not in that relationship.

And what it has carried in the past has absolutely no relationship anyway. It's what it has to carry today and what its capacity today is. And I am glad that Colonel Jenny brought up this matter and also disagreed with Mr. Stichman on the capacity of the Hudson & Manhattan Railroad.

But all of these plans, whether they are the Hudson & Manhattan's plans or any other plan that has been reported on by the Commission, they are all available to the District for its use in one way or the other, as the District may see fit, if and when it is formed.

I just want to read another paragraph from the same page of the report:

"Many proposals for a loop system have been presented to the Commission by its consultants and others. All have their own merits and demerits. All would be available to the new District for consideration in whole or in part. The finding contained herein represents the thinking of the Commission but it is not intended to restrict the new District either in general scope or in detailed design. This final choice should rest with the new District and be dependent upon negotiations it will be empowered to conduct."

So that the Stichman plan, or any other plan, and the merits or demerits of them don't seem to me to be pertinent in your deliberation. The only subject, as I see it, that should be before you is whether or not Bill A-16 should be passed and whether or not a new transit district, as called for in A-115 should be established. Even Mr. Stichman admitted that a public agency is needed to carry out any of these plans, and we heartily agree with that.

That's all I have to say, Mr. Chairman, and thank you for allowing me to make this statement. Now, if you have any questions, I will be happy to try to answer them.

CHAIRMAN CRABIEL: Well, that was the purpose of calling you because we realized that Mr. Stichman made a statement and the Metropolitan Rapid Transit Commission, in all fairness, should have a chance to give some answer or some explanation of the problem.

I just want to go back to one of your opening statements, though, which keeps bothering me all the time, where you talk about your agreement with the Port Authority, because I can't see how, if I were a consulting engineer or a consultant of any kind retained by the Transit Authority with a directive that I couldn't bring the Port Authority into if it was a deficit operation, I could even consider it. Therefore, I cannot quite buy this argument that all was done in fairness here, because of that particular fact. I think it was up to the consultants to talk to the Port Authority and be convinced that they could not recommend the Port Authority if it were a deficit operation. But certainly it wasn't the intent of the New Jersey Legislature, when we passed the legislation, to limit anything to a deficit of any kind.

MR. SIMON: Well, our consultant, who was Dr. William Miller, as you know, on this particular phase of the study, was not given any instruction one way or another. In fact, if you read his report, he goes into some very long discussions about the legal basis for the Port Authority getting into rapid transit. He goes into some long discussion about their financial ability to take on this thing, and he states that

that would be a very happy solution to the whole problem, but that in his investigation he has found - I'm trying to quote his words, I don't have his report right in front of me - he found very substantial reasons, and he listed them, one, two, three, four, five, six, as to why any new district or the Commission could not look to the Port Authority for feasibility for financing a rapid transit project of the scope that we had in mind.

CHAIRMAN CRABIEL: That's entirely proper and that would be a proper conclusion for him. But he lead off in his report with a quote from the contract. And I have had many discussions with Dr. Miller and he always keeps telling me, "There's the contract." So that is the reason why I raised that point again. I raised it at the beginning of the hearing and I still raise it.

MR. SIMON: Well, there's nothing in Dr. Miller's contract along those lines. The only place where any discussion of that nature appeared at all was in the preamble to the memorandum of understanding between the Metropolitan Rapid Transit Commission and the Port Authority. And all that said was that both agencies, the Port Authority and the Metropolitan Rapid Transit Commission, recognized the framework within which the Port Authority must operate, in that they cannot finance or assume responsibility for any projects which do not appear to have a possibility of being a self-supporting project within a reasonable length of time, based on competent estimates of competent engineers.

CHAIRMAN CRABIEL: I want to respectfully point out again, though, that the New Jersey Legislature did not have

that intent when it passed the legislation which set this up. They did not spell that out in any motion. That is a condition imposed by the Port Authority and, as such, limits a consultant when he is making his recommendations.

MR. SIMON: Well, it was not intended and it was not a limitation on any consultant or a limitation on the study. It was just a recognition of the framework within which the Port Authority must operate. That's all its intention was.

CHAIRMAN CRABILE: But you will agree that that is their contention, --

MR. SIMON: That's right.

CHAIRMAN CRABIEL: -- that it is not necessarily the contention of the New Jersey Legislature.

MR. SIMON: That's right.

ASSEMBLYMAN KESSELHAUT: Mr. Simon, what is the present status of the Metropolitan Rapid Transit Commission? What funds does it have available? When does it go out of existence? What staff does it presently have?

MR. SIMON: The Metropolitan Rapid Transit Commission - I'll try to take these up one at a time - the New York part of the Commission expires with the Legislature that just went out. In other words, if its life is not extended by the new Legislature which comes in in January and sits until March, the Commission in New York is automatically out of existence.

We have funds for administrative purposes from the State of New York which will carry us through the present fiscal year ending March 31, 1959. As of that date we cannot spend another penny of New York money.

In New Jersey, the Commission, as your commissions do over here - they have no deadline on their life, they are

1. The first part of the document is a letter from the President of the United States to the Congress, dated January 3, 1861. It is a very important document, as it sets out the President's policy for the new year. The President states that he is pleased to see the Congress assembled, and that he is confident that the country is in a good position to meet the challenges of the future.

2. The second part of the document is a report from the Secretary of the Treasury, dated January 1, 1861. It provides a detailed account of the financial state of the country at the beginning of the year. The report states that the country is in a sound financial position, and that the government is able to meet its obligations.

3. The third part of the document is a report from the Secretary of the Interior, dated January 1, 1861. It provides a detailed account of the state of the interior of the country at the beginning of the year. The report states that the country is in a good position to meet the challenges of the future.

4. The fourth part of the document is a report from the Secretary of the Navy, dated January 1, 1861. It provides a detailed account of the state of the navy at the beginning of the year. The report states that the navy is in a good position to meet the challenges of the future.

5. The fifth part of the document is a report from the Secretary of the War, dated January 1, 1861. It provides a detailed account of the state of the army at the beginning of the year. The report states that the army is in a good position to meet the challenges of the future.

6. The sixth part of the document is a report from the Secretary of the State, dated January 1, 1861. It provides a detailed account of the state of the country at the beginning of the year. The report states that the country is in a good position to meet the challenges of the future.

7. The seventh part of the document is a report from the Secretary of the War, dated January 1, 1861. It provides a detailed account of the state of the army at the beginning of the year. The report states that the army is in a good position to meet the challenges of the future.

continuing unless they are abolished or dissolve themselves.

And as far as funds are concerned, we have an appropriation for this present fiscal year, which ends next June 30th. In September, when budget requests were due, the Commission did not put in a request for any funds to be in the next budget.

The Commission has stayed in business on a very small scale in order to keep itself available to the Legislatures until some final action was taken on this legislation, for just the purpose that I am sitting here today, to answer your questions, to give information and assistance to the Legislature.

As far as New York is concerned, that's water over the dam, the bill is passed. But we are just staying around to help the New Jersey Legislature until it makes its final determination on the bills.

Now, it is my impression that the Commission will order its offices closed and everything shut down around the first of the year.

ASSEMBLYMAN KESSELHAUT: I recall the figure of \$134,000. I don't recall whether Senator O'Mara used that figure or not, but is that approximately the amount that you have available to return to the Treasury of New Jersey?

MR. SIMON: From funds appropriated for making studies, yes. We also have some funds left over from this year's appropriation, which will be returned to the State of New Jersey.

ASSEMBLYMAN KESSELHAUT: One of the speakers here mentioned the fact that this A-115 or S-50 contemplates the joining of Connecticut at some time, and he objected to the

fact that Connecticut should be brought into this. What is the Commission's feeling on that? Why is it important that Connecticut be included in this? Why shouldn't they be, as he suggested, - if New York and Connecticut want to have a separate district, let them have a separate district.

MR. SIMON: Well, just as the Metropolitan Regional Counsel representative was here and stated that the best solution to these problems is on a regional basis, we concur in that thought. We feel that eventually the whole metropolitan area is going to have to be in a transit district if you want any effective, regional, comprehensive transit. Now, we did not think that it was necessary at this time to bring in Nassau County, Suffolk County and West Chester County, and Fairfield County in Connecticut. They have problems but they are not nearly as urgent as the problem between New Jersey and New York. So we restricted the bill, in the first instance, to New York County and the New Jersey counties, plus Orange and Rockland. But, realizing that there may be a necessity to expand the district's boundaries in the future, we put the permissive clause in this legislation. It doesn't include Connecticut, it sets up the machinery for getting them in. And if we look at the words: "The State of Connecticut may become a party to this compact by the adoption of concurrent legislation," etc., etc., "having the same effect as such concurrent legislation. Additional counties may be added to the territory included within the district, before or after such action joining ^{the} State of Connecticut as a party."

When desirable and feasible to get these other counties of the State of Connecticut in, the machinery is set up to do

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it, but it doesn't include them in the first instance and we don't feel that that's necessary at this time.

ASSEMBLYMAN KESSELHAUT: Now, Mr. Simon, you, I assume, met with the New York Legislature on this matter before the New York Legislature passed the bill, so you are somewhat familiar with their sentiments and their feelings.

MR. SIMON: I personally did not, but Mr. Tuttle did.

ASSEMBLYMAN KESSELHAUT: Now, it has been stated that unless we adopt this bill in its present form, without amendment, - if we do amend the bill in any respect, with respect to its effect, we would then have to go back to New York and that we would then have difficulty and delay. Now, regarding a few points, I would like to ask you whether -- of course, it has been recommended also that we have a joint resolution on certain points, --

MR. SIMON: Right.

ASSEMBLYMAN KESSELHAUT: Now, those points do not go to the makeup of the actual agency. And I want to ask you this, with reference to these points, - whether you think, if the bill were amended in these respects, we would have difficulty in getting New York to concur:

First, that the directors would be appointed by the Governor of the State, rather than by the counties.

MR. SIMON: You mean the directors or the members of the Council?

ASSEMBLYMAN KESSELHAUT: Members of the Council. Because if we have a resolution or a direction that there shall be no tax upon the home owners within the counties, why is it that we should have county representation? Should we have directors

appointed by the Governor of the State who will then be responsible to the Governor? Then we would have a majority vote by the members of the Council, of each state, before any actions are taken.

And third, that the minutes could then be vetoed by the Governor of the State. Similar to the way the Port of New York Authority is set up.

Do you think we would have any opposition to that in New York State or any extended delays which would kill this whole bill?

MR. SIMON: Well, on that point of appointment by the Governor, I think you might get considerable opposition from the Representatives and Senators of the City of New York. This is a problem vitally concerning the City of New York and not so much the rest of the State of New York. And I think the administration of the City of New York would certainly want to have control over appointments of the members of the Council. I do anticipate considerable difficulty from that source in New York.

ASSEMBLYMAN KESSELHAUT: Well, suppose we just change the New Jersey representatives? New York's representatives would be in the same fashion as in the bill but that we would change the New Jersey method.

MR. SIMON: What you would want to do in the State of New Jersey on representation or methods of putting these people on the District Council, I think the State of New York would say, "Well, go ahead. If that's what you want, we'll do it, but this is the way we want it done on the New York side." But I do think that, in discussing representation on this thing,

1. The first part of the report deals with the general situation of the country and the position of the various groups. It is a very interesting and well-written account of the country and its people. The author has done a great deal of research and has written a very thorough and accurate account of the country and its people. The report is a very valuable contribution to the knowledge of the country and its people.

2. The second part of the report deals with the economic situation of the country. It is a very interesting and well-written account of the economic situation of the country. The author has done a great deal of research and has written a very thorough and accurate account of the economic situation of the country. The report is a very valuable contribution to the knowledge of the economic situation of the country.

3. The third part of the report deals with the social situation of the country. It is a very interesting and well-written account of the social situation of the country. The author has done a great deal of research and has written a very thorough and accurate account of the social situation of the country. The report is a very valuable contribution to the knowledge of the social situation of the country.

the State of New York would certainly insist on the present fifty-fifty division of representation between the two States.

ASSEMBLYMAN KESSELHAUT: Do you think there would be any objection from New York State before any action is taken of the majority vote of the directors of each state?

MR. SIMON: You mean as far as quorum action on any business of the Council is concerned?

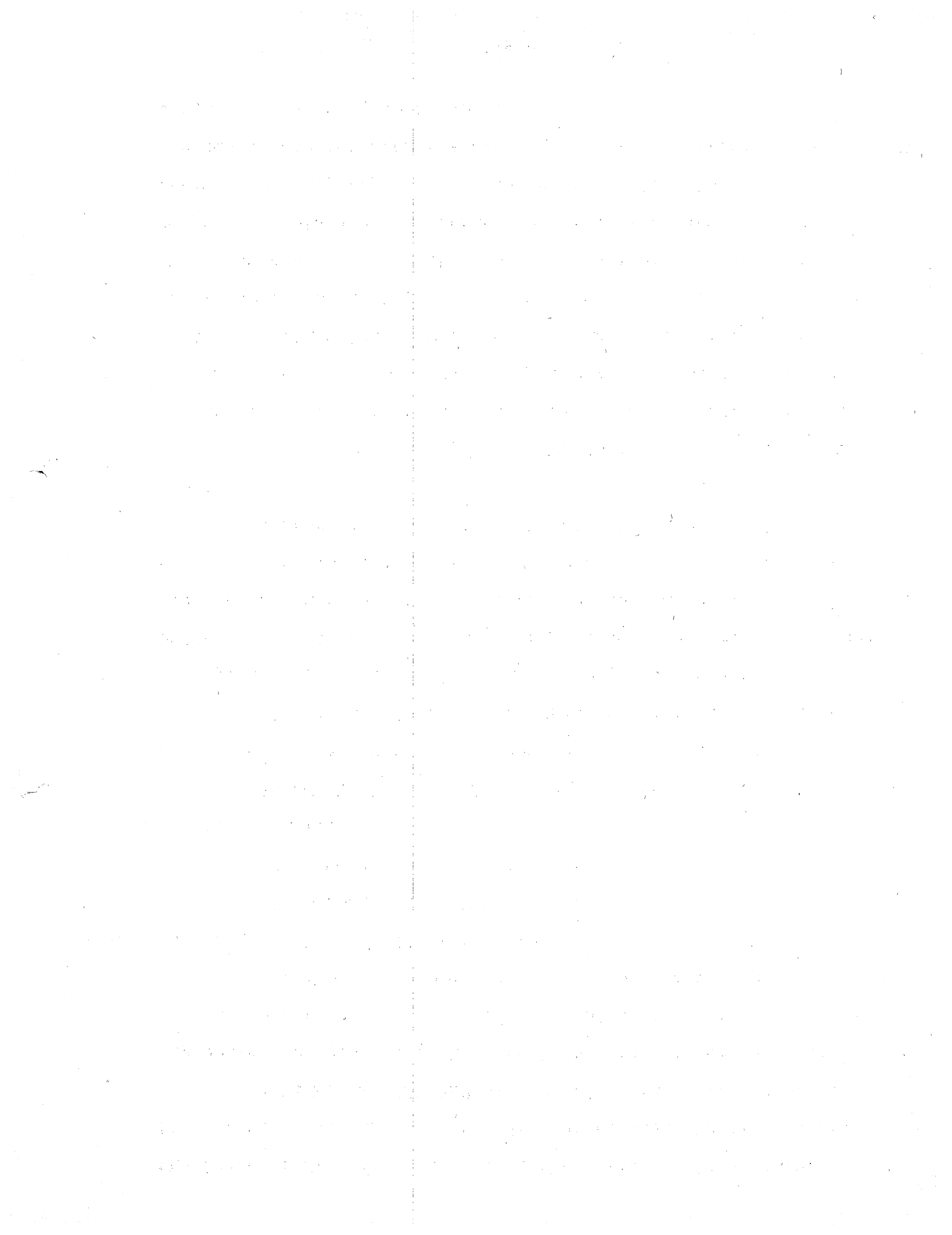
ASSEMBLYMAN KESSELHAUT: Yes.

MR. SIMON: No. I don't think you would find any objection there.

ASSEMBLYMAN KESSELHAUT: Do you think there would be any objection to a veto by the Governor of the minutes?

MR. SIMON: I really couldn't answer that question. But let me put this out: Is it necessary? Now, any major project - and I don't mean the daily routine business of whether you buy a desk or don't buy a desk, but in a major transit project, the two Legislatures and the two Governors are going to have to approve before the District can go ahead with the project.

ASSEMBLYMAN KESSELHAUT: That's true, Mr. Simon, but in the bill the Board of Directors has broad powers. They can fix the term and compensation of officers and employees of the District, within their budget. Now, what is to limit them as to the amount that they are to pay these employees? or the terms that they are to engage them for? unless there is some veto power. If it's along a countywide setup, the counties aren't paying the bill, the State is paying the bill. Now, what strings do we have from the State House, here, to determine how this money is going to be spent?



MR. SIMON: Well, it says within the limit of their budget and if the State is going to provide the funds, then they certainly are going to have a veto power over the budget.

ASSEMBLYMAN KESSELHAUT: Well, isn't the State providing \$150,000?

MR. SIMON: Only for the period of time during which a general plan is being developed and until such time as the District can finance itself.

ASSEMBLYMAN KESSELHAUT: Well, that's what I'm concerned about. For that period of time that the District is considering a plan, what control is there over their budget? The State is putting up \$150,000. What control does the State have over how that money is going to be spent?

MR. SIMON: If you are successful in your previous amendments and you have the Governor of New Jersey appointing the members of the District from New Jersey, they have direct control over how that money is to be spent, - the appointees of the Governor.

ASSEMBLYMAN KESSELHAUT: Yes, but you wouldn't have it under the present bill.

MR. SIMON: No.

ASSEMBLYMAN KESSELHAUT: That's all.

DR. FLINK: I have some questions, Mr. Simon. You mentioned or your stated, in reply to a question raised by Chairman Crabiel, that the experts were under no instructions as to their conclusions; that they were perfectly free to explore any avenue they felt like; that the memorandum of understanding was merely a sort of formality. Let me call your attention to a part in Dr. Miller's report, two portions.

On page 34, Dr. Miller states: "The DeLeuw report indicates that any of the feasible plans will cover from two-thirds to three-fourths of the annual debt service requirements. Upon the basis of these estimates, an annual income deficit could be completely eliminated if the aggregate of capital contributions in the form of preferred stock," etc. etc., "were to aggregate approximately \$80,000,000."

Now, that is a very simple statement. If somebody raises \$80 million, makes it available to this new plan, there will be no deficit.

Having made this statement, nowhere in his report does Dr. Miller then proceed to explore even the feasibility of the Port Authority then taking it over. As a matter of fact, he states very expressly, on page 29, where he quotes this letter of agreement, that "The Port Authority is able to undertake transportation and terminal facilities which can be financed by revenue bonds only if competent estimates indicate that in the long run they will be self-liquidating in and of themselves."

Now, nowhere does the resolution provide that a particular facility must be self-supporting. There are three alternatives. Mr. Tobin admitted that any one of these three requirements was sufficient. Dr. Miller, himself, quotes it. Yet nowhere does he explore the possibility of the Port Authority assuming that responsibility.

Isn't it true, in that respect at least, that Dr. Miller did not quite act as an independent expert? Isn't it also true that Dr. Miller's background precluded, at least, complete freedom of expert objectivity?

MR. SIMON: No, I don't agree. I think Dr. Miller's contract was perfectly plain about this thing and I can present a copy of it to the Committee here anytime they want it. He has never had any limitations on his investigations.

DR. FLINK: But he refers to it right here.

CHAIRMAN CRABIEL: Isn't that a limitation, sir?

DR. FLINK: On page 29.

MR. SIMON: That's not a limitation by the Commission as to what he can or cannot study or what he should or should not report. Now, if he found that limitation in his investigation, that's something else again.

DR. FLINK: If he misunderstood it, shouldn't his attention have been called to it.

MR. SIMON: We put no limitation on him when he was retained to make this study.

DR. FLINK: Shouldn't his attention, then, have been called to the fact that he misunderstood the agreement, that he was perfectly free, on the basis of the statement on page 34, to explore the P.A. as a possible agency? In other words, you were his employer, in a sense.

MR. SIMON: He did explore the Port Authority. He has a whole section in his report on it, and his conclusion was that we could not feasibly -- or we could not look to the Port Authority for various reasons for financial feasibility for rapid transit. Now, you are talking about an \$80 million --

DR. FLINK: Contribution.

MR. SIMON: -- contribution here. Dr. Miller fails to show that there is any place where we can get the \$80 million to make this self-supporting.

DR. FLINK: Let me ask you another related question. It was reported a few weeks ago in the New York Times that you had made a speech in Bergen County in which you said, I quote: "Even if there is no deficit, the P. A. will not assume the task."

MR. SIMON: I did not say that.

DR. FLINK: Then the New York Times misquoted your statement.

MR. SIMON: I must have been misquoted.

DR. FLINK: You never made that statement?

MR. SIMON: I said this, - I can't quote you the exact words - I said, some people have suggested that the Port Authority take over the operation of transit improvements here, and I said that I was not going to debate the merits or demerits of this proposition; that may be a happy solution but, without debating the merits or demerits of the proposition, as a practical man and knowing full well their position - and it was certainly expressed here plainly on November 24th - knowing full well their position that I could not foresee that in my life time the Port Authority would take over rapid transit.

Mr. Crabiel, or Mr. Chairman, if you would like a copy of my speech, I'll be happy to --

DR. FLINK: No, it is perfectly all right, as long as you have corrected it. Thank you, Mr. Simon.

MR. SIMON: I was just being realistic.

CHAIRMAN CRABIEL: Well, as you say, it's a horse race, I guess.

Well, thank you, Mr. Simon. I think it would be an understatement to say that this is a complex problem. But we certainly have been very interested in what has been said and

The first part of the report discusses the current state of the world economy and the challenges it faces. It highlights the impact of the global financial crisis and the need for coordinated international action to address the economic downturn.

The second part of the report focuses on the role of the International Monetary Fund (IMF) in providing financial assistance and technical support to member countries. It emphasizes the importance of maintaining macroeconomic stability and implementing sound fiscal and monetary policies.

The third part of the report discusses the need for structural reforms to improve the competitiveness and growth potential of member countries. It highlights the importance of strengthening the legal and judicial systems, improving the quality of infrastructure, and enhancing the skills of the workforce.

The fourth part of the report discusses the need for social safety nets to protect the most vulnerable populations from the adverse effects of the economic downturn. It highlights the importance of providing access to basic social services and implementing targeted social assistance programs.

The fifth part of the report discusses the need for improved data collection and monitoring systems to assess the progress of member countries in implementing the reforms. It highlights the importance of establishing a robust framework for data collection and analysis.

The sixth part of the report discusses the need for improved communication and coordination among member countries and international organizations. It highlights the importance of establishing a regular dialogue and exchange of information.

The seventh part of the report discusses the need for improved governance and transparency in the public sector. It highlights the importance of strengthening the legal and judicial systems, improving the quality of infrastructure, and enhancing the skills of the workforce.

The eighth part of the report discusses the need for improved environmental protection and sustainable development. It highlights the importance of implementing sound environmental policies and promoting sustainable growth.

The ninth part of the report discusses the need for improved labor market conditions and social protection. It highlights the importance of implementing sound labor laws and providing access to basic social services.

The tenth part of the report discusses the need for improved infrastructure and transportation systems. It highlights the importance of investing in infrastructure and promoting sustainable growth.

The eleventh part of the report discusses the need for improved health and education systems. It highlights the importance of investing in health and education and promoting sustainable growth.

The twelfth part of the report discusses the need for improved energy and environmental protection. It highlights the importance of implementing sound energy and environmental policies and promoting sustainable growth.

The thirteenth part of the report discusses the need for improved trade and investment policies. It highlights the importance of implementing sound trade and investment policies and promoting sustainable growth.

The final part of the report discusses the need for improved governance and transparency in the public sector. It highlights the importance of strengthening the legal and judicial systems, improving the quality of infrastructure, and enhancing the skills of the workforce.

we appreciate the seriousness of everyone who participated. We are very pleased with the participation and certainly both Committees are going to give this very serious consideration and try to arrive at a solution.

Does any other member of the Committee desire to make a statement? Mr. Kesselhaut?

ASSEMBLYMAN KESSELHAUT: No.

CHAIRMAN CRABIEL: All right. We will, therefore, consider the hearing closed.

(Hearing concluded)



①
BOROUGH OF HIGHLAND PARK
MIDDLESEX COUNTY, N. J.

RESOLUTION:

WHEREAS, Public Hearings are to be held on the Transit District Bill (S50) known as the Jones Bill which hearings are to be held on November 24, 1958, and

WHEREAS, the adoption of the aforesaid bill would place an additional tax burden on the property owners of the Borough of Highland Park, and

WHEREAS, it is the opinion of the Mayor and Council that said additional tax burden would not be commensurate with the benefits to be derived by the people of Highland Park.

NOW, THEREFORE, BE IT RESOLVED by the Mayor and Council of the Borough of Highland Park that this body shall and does hereby oppose the adoption by the New Jersey Legislature of said Transit District Bill;

AND BE IT FURTHER RESOLVED that the Borough Clerk is hereby authorized and directed to forward certified copies of this resolution to Assemblyman J. Edward Crabel's Committee on Highways, Transportation and Public Utilities and to Assemblyman Martin J. Kesselhaut's Committee on Inter-state relations.

109A
I, J. Ford Flagg, Clerk of the Borough of Highland Park, Middlesex County, New Jersey, do hereby certify the above to be a true copy of a resolution adopted by the Council of said Borough on the 11th day of November, 1958.

J. Ford Flagg
Borough Clerk



NORTHWEST BERGEN INTER-COMMUNITY COMMITTEE

POST OFFICE BOX 536

RIDGEWOOD, NEW JERSEY

GILBERT 5-6400 EXT. 1

- MARK STRATTON, CHAIRMAN
- EDGAR F. DEFINO, VICE CHAIRMAN

- T. EMMETT BAUER, SECRETARY
- GEORGE J. DUXBURY, TREASURER

November 26, 1958

Hon. Martin Kesselhaut
Assembly Chamber
Trenton, New Jersey

Dear Mr. Kesselhaut:-

The above Committee, representing eleven North West Bergen commuting municipalities has spent several meetings on the metropolitan transit problem.

At its meeting November 21st, also on this subject, it voted to urge you and your fellow assemblymen to adopt Bill #A115 as the best action toward its solution.

Thank you for your cooperation to this end.

Very truly yours,

Howard P. Redick
For The Committee



PETITION

To the Members of the General Assembly of the Present Legislature
of New Jersey:

In the exercise of my constitutional right of acquiring, possessing, and protecting my property and to make known my opinion to my representatives and to petition for redress of grievances, I, a citizen and registered voter, residing in my home located in Block 738, Lot on the Tax Map of the City of Newark, respectfully petition your honorable legislative body to reject and refuse enactment of all pending bills, or other bills that may be hereafter introduced at this session, proposing directly or indirectly the creation of a Bi-State Agency, so-called, looking to the ultimate exercise of the power of taxation by our Legislature providing for the taxation of property in the County of Essex and certain other counties of the State to make restitution - so-called subsidy - of any deficit incurred in the operation of the so-called "commuter service" by the railroads performing such service within the said counties.

That such legislation would add materially to our present tax burden is certain. I believe the proposed legislation to be unjust, unreasonable, discriminatory and unlawful. My opinion is the proposal should be "scotched" now, in the beginning.

Newark, Essex County, New Jersey
November 26, 1958

(name)

(address)

Newark, New Jersey



JOINT HEARING BEFORE NEW JERSEY ASSEMBLY COMMITTEES
ON FEDERAL AND INTERSTATE RELATIONS
and on
HIGHWAYS, TRANSPORTATION AND PUBLIC UTILITIES on
ASSEMBLY BILLS 16 and 115 and SENATE BILL 50
Regarding
INTERSTATE RAPID TRANSPORTATION IMPROVEMENTS-
PORT OF NEW YORK AUTHORITY

Statement of Russell C. Heimert
Manager Keystone Automobile Club and
Vice Chairman New Jersey Highway Users
Conference

December 3, 1958

I appear at this hearing on behalf of the Keystone Automobile Club and the New Jersey Highway Users Conference to voice the opposition of these respective organizations to the passage of Assembly Bill 16, because from a motorist viewpoint authorizing the New York Port Authority to operate mass rail transportation lines has its serious drawbacks. The motoring public, is pin-pointed as the source of revenue to pay for the project. In order to make the plan feasible, we understand an increase in bridge and tunnel tolls, of as much as 50%, would be necessary. While we consider the over-all objectives of the bill to be admirable, we cannot concede that owners of motor vehicles should pay increased tolls to supply the financial backbone necessary to carry out the intent. Our position on the use of bridge and tunnel tolls is well known. We have long contended that the continued imposition of these tolls can be justified only on the ground they contribute to the creation of new facilities for the motorist. Certainly, we cannot agree that tolls presently charged for these purposes should be increased to make feasible a transit project for which the motorist has no direct responsibility.



