Committee Meeting

of

ASSEMBLY TRANSPORTATION AND PUBLIC WORKS COMMITTEE

"Testimony from invited guests concerning asset monetization, specifically the possible sale or lease of the State's toll roads"

LOCATION: Secaucus Municipal Building
Secaucus, New Jersey

DATE: February 15, 2007
10:00 a.m.

MEMBERS OF COMMITTEE PRESENT:

Assemblyman John S. Wisniewski, Chair
Assemblywoman Linda D. Stender, Vice Chair
Assemblyman Thomas P. Giblin
Assemblyman Gordon M. Johnson
Assemblyman Louis M. Manzo
Assemblyman Vincent Prieto
Assemblyman Brian P. Stack
Assemblywoman Jennifer Beck
Assemblyman Francis J. Bodine
Assemblyman Sean T. Kean
Assemblyman Kevin J. O'Toole

ALSO PRESENT:

Maureen McMahon
Office of Legislative Services
Committee Aide

Aaron Binder
Assembly Majority
Committee Aide

Jerry Traino
Assembly Republican
Committee Aide

Meeting Recorded and Transcribed by
The Office of Legislative Services, Public Information Office,
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ASSEMBLYMAN JOHN S. WISNIEWSKI (Chair): Good morning.

This is the Assembly Transportation and Public Works Committee.

Welcome.

A couple of housekeeping notes: The proceedings this morning are going to be recorded and a transcript prepared. If you would like to testify, and you're not already -- if you're not already on the list of individuals who have signed up, there are forms that look like this (indicating) in the back. Please fill one out and give it to one of the Committee Aides so that we could have a record. When you're called, I would appreciate it if you could state your name, spell it, and the affiliation with the organization that you're representing or speaking on behalf of. I would also ask everyone in the audience, if you have a pager or cell phone, if you would kindly turn it off or put it to vibrate so as to not interrupt the speakers or the members of the Committee.

I first want to thank Assemblyman Prieto, the municipality of Secaucus, and its Mayor for extending to us the hospitality of having our public hearing in this wonderful council chamber. It's not easy to find a facility that can accommodate as many people. And we really appreciate the hospitality.

I'm going to start the hearing today by recognizing Assemblyman Prieto for a few remarks.

ASSEMBLYMAN PRIETO: Thank you, Chairman.

I want to welcome everybody to Secaucus. And I want to thank the Chairman for bringing this important matter that affects -- not just here in Hudson County -- the whole state; that it's moving into the future some important issues. We have to be open-minded and look at all the issues.

And with that, I would like to recognize Mayor Elwell, who is in the chambers, to maybe say some remarks.

ASSEMBLYMAN WISNIEWSKI: Mayor.

MAYOR DENNIS P. ELWELL: Yes.

I'm used to this in this building. (referring to PA microphone)

Just let me say this: I want to welcome all of you to Secaucus. For anyone here who does not have parking, we are expanding our parking and will provide bus service for people to get in.

As a town that has the Turnpike running right through it, and actually has three exits in Secaucus, including the new 15W -- 15X, which has had some controversy, I am very, very interested in what you're going to be discussing here today.

I completely understand the difficulty the State has with pension payments and other payments. The town of Secaucus, under my tenure, has done a tremendous amount of innovative ways of controlling taxes. And, in fact, we have not raised the municipal tax rate in eight years here. So innovation has been one way.

So I'm very, very interested in this. And I applaud you for coming here and giving people an opportunity to speak out and ask questions. Because in many cases, most of the things we do in government today-- Sometimes the criticisms of what we're trying to do are done because of lack of information.

So, again, I applaud you for being here. And I'm very, very interested to hear what everyone and all of you have to say.

Thank you very much.

ASSEMBLYMAN WISNIEWSKI: Mayor, thank you very much for being here and welcoming us. And thank you for those words.

Maureen, will you please call the roll?

MS. McMAHON (Committee Aide): Assemblyman O'Toole. (no response)

Assemblyman Kean. (no response)

Assemblywoman Beck. (no response)

Assemblyman Bodine.

ASSEMBLYMAN BODINE: Here.

MS. McMAHON: Assemblyman Prieto.

ASSEMBLYMAN PRIETO: Here.

MS. McMAHON: Assemblyman Manzo.

ASSEMBLYMAN MANZO: Here.

MS. McMAHON: Assemblyman Johnson.

ASSEMBLYMAN JOHNSON: Here.

MS. McMAHON: Assemblyman Giblin. (no response)

Vice Chair Stender.

ASSEMBLYWOMAN STENDER: Here.

MS. McMAHON: Chairman Wisniewski.

ASSEMBLYMAN WISNIEWSKI: Here.

The purpose of today's hearing is to take testimony on the issue of proposals to either lease, sell, or monetize our State toll roads and other State assets. It is a thorny issue that has strong feelings on both sides. The State is clearly in a financial crisis, and it provides the potential opportunity to solve some of those problems. It also creates a whole host of unknown risks down the road that we really can't adequately hope to address today.

Before we call our first witness, do any of the members wish to make any opening statements? (no response)

That being said, I'd like to call State Senator Raymond Lesniak, from the 20th District. Senator Lesniak has introduced a piece of legislation on this topic. I know him to be a thoughtful legislator. And his interest in moving this issue forward is to try to help the best interest of the State of New Jersey. And I welcome his participation in this debate.

Senator Lesniak.

SENATOR RAYMOND J. LESNIAK: Thank you, Chairman and members of the Assembly.

The last time I believe I've been -- was in the Secaucus Municipal Building, Henry Krievski (*sic*) was running for U.S. Senate. It was before your time even, Chairman.

And Mayor Elwell said that he hasn't raised taxes, I believe, in eight years.

Is that right Assemblyman?

ASSEMBLYMAN PRIETO: Yes.

SENATOR LESNIAK: Actually, last year he lowered taxes. So we certainly can learn something from the Mayor, that's for sure.

Again, thank you for giving me the opportunity to say a few words today.

When I unveiled my latest Turnpike proposal on Wednesday, January 31, I stressed three points. Number one: The debt of the State exceeds $50 billion, and we have obligations to meet, like school construction for grades K-12, increased capacity for higher education -- we are among the leaders in sending our state -- our children out of state for college; and purchase of more open space -- the Garden State Preservation Trust is out of money; and that we have to meet our obligations and reduce our debt in a meaningful way. I also added that if we do not reduce our debt and meet our obligations, our State will go backwards without any hope of recovery.

Number two: This was the beginning of a discussion on how to solve these daunting problems. And we must look for solutions and not be content with criticism. I've already changed the bill I introduced on Monday, February 5, from the one I announced and circulated Wednesday, January 31.

I heard Chairman Wisniewski remark at a Rutgers Transportation forum that day that the problem with paying down our debt, as I proposed, was that the State still had a credit card. As a result of that point well-taken, I am co-sponsoring Senator Lance's bill to amend our Constitution to require voter approval of contract bonds.

Chairman Wisniewski, I want to thank you for driving that point home.

There are many ways to improve upon my proposal, such as putting a ceiling on the proposed cost-of-living and gross-domestic-product toll increases to account for unusual swings in either indexes; or using a fixed percentage, based on average historical data, or percentage of average historical data. The point is to have yearly incremental, affordable toll increases that do not slam anyone in the pocketbook, neither car nor commercial vehicle drivers.

Another improvement would be to limit workforce efficiencies to attrition or intragovernmental transfers rather than layoffs, thereby giving current Turnpike employees beyond the six years in my bill.

You may also want to consider dedicating 50 percent of the proceeds to relieving congestion. God knows we need it. I was driving up here on the Turnpike. If I made one wrong turn, I would still be on the road. Proceeds to relieving congestion in our state through additional mass transit projects, open space purchases, and road improvements -- matters of extreme importance to the residents of New Jersey.

Number three: My proposal allows the Turnpike Authority to compete with private proposals and continue to manage its operations if it is the successful bidder. No one believes that government, absent competition, operates in the most efficient manner -- outside of the borough of Secaucus, that is. My proposal would allow the Turnpike Authority to compete, and it may be in the best position to do so.

In that regard, my bill needs to be changed to effectuate that competition. As it stands, the Turnpike Authority will be allowed to better the last, best proposal from private companies. I have been informed, and believe it to be accurate, that private companies will stay on the sidelines if they are set up and, quite frankly, used in this manner. I would suggest allowing the Turnpike Authority to compete on the same terms and conditions, and at the same time, as private companies. This would foster the competitive environment needed to best serve the public interest.

I'd like to summarize with some points on my proposal in general. Number one, safety and security concerns have been addressed. State Police would continue to patrol the roads as is current practice.

Number two, maintenance expenditures would be certified by a State engineer, as is the current practice with the Turnpike Authority's bond covenants. And three, toll increases are limited under the terms prescribed in my bill, with any further limitations as I have previously suggested, or others.

Chairman and members of the Committee, we have huge problems facing this State. When I said on January 3, 2007, that our debt exceeded $50 billion, I was way low. It exceeds $100 billion. What you are considering today is only part of the solution. Restricting future borrowing by requiring voter approval is another part; limiting property tax increases and controlling wasteful spending another part; finding ways to reduce our debt, reduce congestion, and increase mass transit and open space another part. All the parts will add up.

New Jersey is the wealthiest state in the nation. Unless we solve our daunting problems, we won't be for long.

Thank you, Mr. Chairman.

ASSEMBLYMAN WISNIEWSKI: Senator, thank you for your testimony.

Any members have any questions for the Senator? (no response)

Senator, I appreciate your taking the time to join us today and, also, the thoughtful changes that you're making on your legislation. I'm sure we'll continue to hear from you.

SENATOR LESNIAK: Chairman, again, I appreciate you having this hearing and bringing the public and various different people together to comment on it. Because we're all in this together, and I know we all want to do the right thing. And I appreciate your cooperation in that regard.

ASSEMBLYMAN WISNIEWSKI: Thank you.

SENATOR LESNIAK: Members of the Assembly.

ASSEMBLYMAN WISNIEWSKI: Thank you.

I'd next like to call Geoff Segal, Director of Government Reform for the Reason Foundation.

Mr. Segal, I appreciate you making the long trip to join us this morning. I understand that you have another engagement later on today. So I appreciate you taking the time to enlighten the members of the Committee and the public.

GEOFFREY SEGAL: Indeed. Thank you, sir.

My name is Geoff Segal. It's spelled G-E-O-F-F S-E-G-A-L, with the Reason Foundation.

I had full intention of submitting the testimony -- the written testimony. Sadly, my flight didn't land until about 2:00 last night. So it has been e-mailed this morning, and it will be distributed shortly.

ASSEMBLYMAN WISNIEWSKI: Thank you.

MR. SEGAL: The Reason Foundation is a public policy research and education institute based in Los Angeles. Reason first began researching public-private partnerships in the last 1970s, and transportation partnerships since the late 1980s. Our experts have advised numerous governments, including many departments of transportation, on how innovative road financing and operations can help relieve congestion and improve mobility.

The fact of the matter is that this country is entering a new paradigm when it comes to transportation financing. While the vast majority of projects continue to be funded through traditional means, including gas and vehicle taxes, more states are turning towards public-private partnerships as a means to finance new projects and improve mobility.

For one reason or another, public-private partnerships remain relatively untapped here in New Jersey. And they do come in many forms, including the building of new infrastructure, new assets, and perhaps most promising -- and the discussion here today revolves around the lease -- potential lease of existing toll roads or existing assets.

We're here essentially because, in the last two years, we have seen a major increase in interest on the part of investors and toll road companies in the U.S. highway market. The underlying reason for this interest is the large and growing funding shortfall in the highway sector. The most recent conditions and performance report from the Federal Highway Administration estimated annual capital investment in our highways at $68 billion. Yet simply to properly maintain the condition of our highways and bridges, we should be spending $6 billion more each year. And to improve the system to cope with the increases in traffic and truck travel, we should be spending an additional $51 billion.

The newest trend is the rediscovery of the long-term concession model of public-private partnerships. Under this model, in exchange for a long-term license to operate a toll road, an investor-owned company will finance, design, build, operate, modernize, and maintain the highway project; financing its expenditures from the toll revenues it is allowed to charge. This is a modernized version of the toll road charters, issued by governance in the U.K. and in the states in the U.S. in the 18th and 19th centuries, for the original turnpikes in both countries. It was revived in the 1990s, with the Dulles Greenway in Virginia; and the 91 express lanes and State Route 125 toll projects in California.

This model is what built most of the post-war toll motorway systems in France, Italy, Portugal, and Spain. And that's why investor-owned companies from those countries are among the world leaders in the toll road business.

The model has worked best around the world -- or, the model that has worked best around the world is the model to use long-term concession agreements as the basis for protecting the interest of both parties, public and private, in the long-term relationships. And the issues that need to be addressed in the concession agreement are pretty much the same whether you're dealing with leasing an existing asset or talking about a new asset.

Over the span of a 30-, 50-, or 75-year lease, major construction or reconstruction will be required in any case. So all such concession agreements must address the same set of issues. The only major difference between agreements for existing toll roads and for those -- for new ones is that the former involve large, new revenues for the states, while the latter involve much higher risks of initial -- or much higher levels of initial risks for the private partner.

There are several advantages to public-private partnerships that I will address briefly. First, as mentioned and as has been discussed, is access to large, new sources of capital. The concession model is very attractive to different types of investors, including equity investors and lenders. Most important, it opens the door to institutional investors, such as pension funds, which we have begun to see. Infrastructure has become a fashionable asset class for a host of investors that don't invest in toll agency bonds. Billions of dollars of private investment is available, as we have seen recently with the concession agreements for the Chicago Skyway and the Indiana Toll Road.

Second is the ability to raise larger sums for toll projects. New highway capacity is far more costly these days than it was when the interstates were first built. Hence, rebuilding and modernizing our freeways and interstates will be far more costly than most people realize. There is growing evidence that the long-term concession model can raise significantly more funding for a given toll project than the traditional toll agency financing model.

For example, a recent project in Texas-- The state realized they could only generate $600 million in financing. Through a concession agreement, the private sector was able to bring $1.3 billion to the table and fully fund the project.

Third: Public-private partnerships allow the shifting of risk from taxpayers to investors. Public-private partnerships involve parceling out duties and risks to the party best able to handle them. For example, the state is the best party able to handle right-of-way acquisition and environmental permitting, so those tasks and risks are assigned to the state. The private sector in these deals nearly takes all the risk of construction cost overruns, and possible traffic and revenue shortfalls. Given the poor track record of the public sector in transportation megaprojects -- think Big

Dig -- being able to shift construction and traffic revenue risk to investors is a major advantage.

Other benefits of public-private partnerships include bringing a more business-like approach and customer service orientation to the Turnpike operations or to new road operations. In addition, allowing the private sector to bring new innovations to how services are provided and how roads are constructed-- And we have numerous examples from many states -- including my home state of Virginia; Florida, Georgia, Texas, Arizona -- where they are seeking the private sector to find these innovative solutions to their transportation needs.

Now, like everything else, public-private partnerships can be done well or done poorly. This is true of each type of public-private partnership, from a simple operational contract for snow removal, to concession agreements for new assets, or even operating agreements for existing assets.

Fortunately, while these agreements may be new to New Jersey, they are not new to the United States and the rest of the world. A long history has established best practices and guidelines to ensure that quality is delivered and that taxpayers are protected. The public sector's key role is setting the agenda; outlining expectations, goals, and desired outcomes. They set the standards and performance requirements. Once a private partner has been selected and the contract is signed, the role of the public sector shifts to that of oversight and evaluation. The government should never sign a contract or lease a turnpike and walk away. Rather, strong reporting, evaluation, and auditing components need to be in place and need to be followed.

Given the focus on and importance of a potential lease of any of New Jersey's toll roads, careful examination is warranted. While there are general guidelines as to how these deals are completed, it's important to note that each is unique in its own way. Indeed, one of the undervalued benefits of public-private partnerships and concession agreements is that they are customizable to fit the needs, goals, and desired outcomes of a community. In addition, the concession should be structured to mitigate any concerns, and that adequate protections for the public interest can be included in the terms of the agreement.

There are many components of the agreement that need to be-- There are many components of the agreement: length of the concession, toll schedule, performance level -- to name a few. One way to think of this is that each component is like a dial that can be adjusted up or down, depending on the goals or needs of the governing body. Of course, each adjustment to the dial will have an impact on the concession price or the value that the private sector will bear.

For example, dialing down the length of the concession term will lower the concession price, while dialing up the ability of the concessionaire to raise tolls will increase the price. The governing body will have to -- meaning you -- will have to balance their need for raising revenue with the needs of users and taxpayers. They will ultimately have to find the best mix of outcomes to satisfy their needs and have appropriate protections for users and taxpayers.

With that said, the governing body, or the government, has tremendous control and power to set the terms of the agreements. Some key terms-- Some key dials to consider: first, tolls. There are concerns that a lease will lead to sky-high toll rates in future years, leaving the impression that the tolls are uncontrolled. That is not the case in any actual or proposed public-private partnership toll road that I'm aware of. Most concession agreements, to date, have incorporated annual caps on the extent toll rates can be increased, using various inflation indices. It is important to note that those caps are ceilings. The actual rates a company will charge will depend on market conditions. Before entering into any toll road project, a company or toll agency does detailed and costly traffic and revenue studies. A major goal of such studies is to determine how many vehicles will use the toll road at any price. Too high a price, fewer people will use the road, which generally means lower revenue. So the toll road -- the toll agency or the private concessionaire will set a rate that maximizes their revenue.

Here, again, the notion of the dial illustrates the important trade off that must be considered and the power that the government has. While there is nothing that says a concession agreement needs to control toll rates, politically speaking it is a necessary component. The greater the flexibility and/or the ability for the concessionaire to set rates and increase them over time, the greater the initial payout will be now. Dialing back or limiting that ability will result in lower bid prices.

Second is the issue of noncompete clauses. These are clauses designed to protect toll road operators from the construction of new parallel, free roads. And this has evolved greatly over the years. In fact, two recent, long-term leases provide a useful illustration. For the Chicago Skyway, there were no protections for the private sector lessee. In fact, there are many competing routes. And the city of Chicago could choose to build additional routes at any time it wanted to. In the Indiana Toll Road, for example, there is a short zone where new interstate-quality roads cannot be built, but small local highways can. Again, you wield a tremendous amount of power and control in setting what the potential noncompete clause will say.

Maintenance and performance requirements are another important aspect. Again, the concession agreement will set those terms. Indiana's lease, again, provides an interesting example. Their detailed, 263-page concession agreement fully protects the public's interest. It has spelled out all kinds of what-ifs and established well-defined performance levels that the contractor is legally required to meet or face penalty. Ultimately, the biggest penalty is a potential canceling of the concession, even though the state keeps the payout.

There is no doubt, what to do with the proceeds is going to be debated heavily here in New Jersey. There are few, if any -- or there are few appropriate uses of proceeds that are commonly accepted by most public policy scholars and academics. First, any debt on existing assets needs to be paid off, which in the long run will create a stream of future benefits because of a smaller debt service, as Senator Lesniak had mentioned.

In addition, proceeds should primarily be directed toward one-time capital expenses, such as transportation infrastructure upgrades and improvements.

Another widely accepted use of the proceeds is the establishment of a transportation trust fund to fund continued maintenance and operations over the long run, although this should be a much smaller piece of the pie.

As we move into the 21st century, it is clear that we have entered a new paradigm of transportation funding and operations. The success of existing private-sector participation in transportation services highlights the potential benefits for the vast majority of transportation projects needed in New Jersey. Public-private partnerships offer some major advantages, none more important than relieving congestion and improving mobility.

Business as usual won't work any longer. New Jersey's policy makers need to embrace a new paradigm for highway funding and operation, as some two dozen states currently have. Doing so will better position the State for future economic development and growth.

As the think tank that has done the most research on public-private partnerships and their applicability to transportation infrastructure, the Reason Foundation welcomes the opportunity to be of further assistance to this Committee and body as a whole. As you learn more about these approaches, please feel free to call upon us.

Thank you.

ASSEMBLYMAN WISNIEWSKI: Thank you, Mr. Segal, for your testimony.

I'm sure members of the Committee have questions.

I'm going to take the prerogative of the Chair and start the questioning.

Am I correct that the amount of money that a governmental entity would be able to obtain in one of these deals is really the present value of toll revenue, less expenses, over some period of time?

MR. SEGAL: Essentially, yes. I mean, the concessionaire is anticipating toll increases over time. The traffic-- They're going to do the traffic study to see how much traffic flow currently is there, how much it's projected to increase. But they're also expecting or anticipating efficiencies in operations.

ASSEMBLYMAN WISNIEWSKI: But the largest part of the ability-- The numbers talked about -- and I'm sure they're just conjecture -- but there are people in New Jersey talking anywhere from $10 billion, to $15 billion, to $20 billion. Would you agree that that amount of money is not generated by efficiencies?

MR. SEGAL: That is correct.

ASSEMBLYMAN WISNIEWSKI: I mean, that amount of money is generated by looking at future revenue streams and coming up with a net present value.

MR. SEGAL: Certainly.

ASSEMBLYMAN WISNIEWSKI: So how is a public-private partnership any different than just borrowing tomorrow's dollars today?

MR. SEGAL: From a public-private partnership perspective, the concessionaires typically have better management, they have better access to equity, they're willing to bring equity, they're able to borrow at lower levels. They are generating some efficiencies--

ASSEMBLYMAN WISNIEWSKI: They're able to borrow at lower levels than a government agency?

MR. SEGAL: In some cases, yes, sir.

ASSEMBLYMAN WISNIEWSKI: They can borrow lower than tax-free financing?

MR. SEGAL: They may be using cheap European debt in some cases. They're using equity from pension funds.

The point of the matter is: Who will be on the hook for the borrowing? Is it taxpayers or is it investors? If the State were to borrow this chunk of money, ultimately the taxpayers are on the bill for it.

ASSEMBLYMAN WISNIEWSKI: Somebody has to pay it back though.

MR. SEGAL: Correct. But if the private sector is bringing their own investment in, and their own money-- If everybody-- If New Jersey decides they find a new mode of transportation, and nobody uses the Turnpike, it's the investors who are left -- not the State.

ASSEMBLYMAN WISNIEWSKI: What's the likelihood of us not using the Turnpike in the next 25 years?

MR. SEGAL: In 25 years, probably not very much. But who knows 75 years out?

ASSEMBLYMAN WISNIEWSKI: That's my other question. Any of these deals -- the longer you go out, the more money you get, because you're securitizing a greater stream of revenue. How do you adequately predict the future, when you enter into an agreement today for 50 years or 75 years? And let me just preface that question by-- Had the State of New Jersey, 75 years ago, securitized or monetized its highway system, we would not have anticipated tractor trailers with 80,000 pounds, we would not have anticipated vehicles traveling at 70 or 80 miles an hour, we would-- There are a lot of things that we, quite frankly, just would have missed.

MR. SEGAL: Sure.

ASSEMBLYMAN WISNIEWSKI: How do we make sure that we predict the future?

MR. SEGAL: Well, you're defining levels of service and performance requirements in the concession agreement. So you're actually-- You are shifting that risk to, again, the concessionaire or to the operator. It would be their responsibility to predict the future to make sure that the roads meet the standards, as defined in the contract.

ASSEMBLYMAN WISNIEWSKI: And when they don't meet the standards 50 years from now, what do we do?

MR. SEGAL: If the failure is severe enough, you cancel the contract. That is how Indiana's deal is structured, how Chicago's deal is structured as well.

ASSEMBLYMAN WISNIEWSKI: But just on a more fundamental -- maybe pedestrian level, you have a private vendor who is running the roadway, and you have five inches of snow, and they decide that it's not cost-effective to send out plows until the sixth inch falls. What do you do?

MR. SEGAL: Well, again, that contract is going to identify the level of performance and the standards that are required.

ASSEMBLYMAN WISNIEWSKI: I understand that. So it's snowing out, and Assemblyman Prieto is getting phone calls from constituents saying, "They're not plowing the Turnpike, Assemblyman. What are you going to do?" What is the State's recourse?

MR. SEGAL: Well, first of all, I don't believe that that hypothetical will actually occur. The private sector has full interest to plow the road, to allow people to drive on it and use-- (laughter)

ASSEMBLYMAN WISNIEWSKI: Let him answer.

MR. SEGAL: They won't be generating revenue if nobody is using the road.

It's my understanding that in Indiana and Chicago -- also received quite a bit of snow over the last few days. The roads were plowed quickly and efficiently.

ASSEMBLYMAN WISNIEWSKI: But my question -- and I don't know that you're answering it -- is: We have a dispute. Something has to be done today. The toll road company sits there and says, "We're not doing it," but the State needs it done today. How do we do it? Do we go to court?

MR. SEGAL: No, sir. You will just get it done.

ASSEMBLYMAN WISNIEWSKI: How though?

MR. SEGAL: Again, the concession agreement is going to set up for the long-term. I understand the urgency of getting it done right away. Whether it's-- The State may have to put some money up up-front to get it done, but I don't believe that would happen. The State would have a tremendous amount of recourse in going to court or in cancelling the contract. The concessionaire pays all the money up-front. And if the contract, which it should, identifies, "Here is what will -- cause for severance of the deal. If you don't plow the snow when it falls, that's a violation that allows us to cancel the contract." If they're paying all the money up-front, they have a tremendous amount of risk that they've put up. They're not just going to walk away from billions of dollars.

ASSEMBLYMAN WISNIEWSKI: Okay.

Assemblyman Prieto.

ASSEMBLYMAN PRIETO: Thank you, Chairman.

Just to follow up on this-- So you mean to tell me we have to think ahead into the future, what potential problems-- Because when we write legislation, sometimes we miss stuff that -- actually we have to go back and readdress it. So we would have those kinds of problems. If we don't think of them today and put them in the contract -- I agree with the Chairman -- that could be a potential problem.

MR. SEGAL: Assemblyman, what I think would happen is, the current levels of service and performance that the Turnpike Authority or New Jersey Department of Transportation-- They have levels of service and standards that they already adhere by. That would be a baseline for moving forward with any of these deals.

Indeed, in Indiana there was a 263-page contract that listed all kinds of what-ifs. In addition to that, there was a 400-page performance and level of service requirement that was INDOTs own standard operation procedure, if you will -- that they referred to that, again, as a baseline. And then the contract actually enhanced the level of service.

ASSEMBLYMAN PRIETO: Okay. Let me ask you a question. You mentioned pension funds. Would you think-- Would it be advantageous, instead of a private -- a public pension fund? What would be the advantage of that, as opposed to a public-private venture -- if a public pension fund would purchase it? What would be-- Would that be advantageous?

MR. SEGAL: I'm not a Wall Street banker, so I'm not sure I'm qualified to answer that question. The key is in who is going to be operating and running the road though.

ASSEMBLYMAN PRIETO: Okay.

MR. SEGAL: That's where the efficiencies come in.

ASSEMBLYMAN PRIETO: And, Chairman, one last question.

ASSEMBLYMAN WISNIEWSKI: Sure.

ASSEMBLYMAN PRIETO: I wanted to ask you, is there any history -- or has there been any history, in any of these joint ventures, of what's the fate of the employees? Because we talk about efficiencies. What has happened in the ventures that have already transpired?

MR. SEGAL: In Indiana, the employees were given right-of-first-refusal and, essentially, guaranteed employment, I believe, for six months. It may have been longer.

Again, this is an area where the state has a great deal of control in setting terms in the concession, moving forward.

ASSEMBLYMAN PRIETO: Thank you.

ASSEMBLYMAN WISNIEWSKI: Thank you, Assemblyman.

Assemblyman O'Toole.

ASSEMBLYMAN O'TOOLE: Thank you, Chair.

First of all, I want to thank you, Chair, for sponsoring this.

And I want to thank my colleague Jen Beck for asking for this meeting, as well.

It wasn't the best of circumstances getting here, so I apologize. I almost ran into Linda's car trying to come in here. (laughter)

ASSEMBLYWOMAN STENDER: I'm glad you didn't.

ASSEMBLYMAN O'TOOLE: I did not.

But the question, Chair-- And I have several questions of the speaker.

Is this, like, the first official hearing of sorts that we are having in the Assembly? You read about this, you find the report -- Phase 1 of three phases. I mean, this is a scary time. This is really-- We are in the most unchartered waters ever. And we're dealing with something that New Jersey has never wrestled with before. So I'm trying to understand, just procedurally-- Is this, like, the first official hearing in the Assembly we are having on this issue?

ASSEMBLYMAN WISNIEWSKI: Yes, Assemblyman, this is the first official. Right now, we have three dates established -- today, the 26th of February, and March 1 -- to examine this issue. We're not going to take any action on legislation. But I thought, since this is the Committee in the Assembly that most likely would be considering legislation, if there is any, one way or another, that it would be appropriate for the members of this body to be educated, to hear from individuals who have a position, and to ask questions so that when and if that time comes, the members of this Committee are informed and can make informed decisions.

ASSEMBLYMAN O'TOOLE: Well, I'm glad you did that, Chair. I think it's a smart move. But I think we have so much--

This is an overwhelming issue, and it's such a huge topic. And we could talk about some anecdotal things, whether it be Indiana or Chicago. But in terms of -- in the United States, we have never seen anything at this scale, in terms of this private-public partnership or monetization, as we are looking at in New Jersey.

Is that accurate?

MR. SEGAL: Well, there are several states that are moving at the -- that may be actually a little bit ahead of New Jersey -- Pennsylvania being one of them -- where they have already received expressions of interest. And there is legislation actively moving there. But outside of Pennsylvania, New Jersey is -- this discussion would be the largest deal.

ASSEMBLYMAN O'TOOLE: And as we sit here today, and Phase 1 of three phases is done, I will tell you -- as a member of the Transportation Committee, as a member of the Budget Committee, as somebody who is somewhat involved -- I don't think we know anything about this concept. And if we're going to proceed ahead with a $10 billion, or $15 billion, or $20 billion venture that is going to talk about the very security, talk about the future of the veins that course through our highways -- which really represent the spinal cord of our infrastructure -- the Garden State Parkway and the Turnpike, there's got to be this education process and awareness process, not only to us here, but to the public. I don't think that's done.

So my question to you is: How has the education process occurred in other states where this has failed, or even attempted to succeed?

MR. SEGAL: Well, public hearings like this, and the Governor and/or other elected officials going and talking to the public.

ASSEMBLYMAN O'TOOLE: Okay. Well, a concern that I have is that we have a history here in New Jersey -- that occasionally we have public hearings -- may actually have bills that may just go right to the floor and whatnot. So I commend the Chair for having the common sense of having this.

But I don't know if this, in Secaucus today, or two of these meetings afterwards, is really going to be enough to educate 8 million New Jersey residents. We're going to turn around one day and say, "Well, by the way, we sold the Turnpike and the Parkway." And I will tell you, the average member of the public will absolutely go bananas if this is not fully vetted and understood. And I don't think we, as legislators, have a tenth of an understanding as to what this potentially means for New Jersey down the road.

When my colleague, Assemblyman Prieto, talks about that-- What this contemplates is us putting down, in legislation today, something 50 or 60 years down the road. We can't get that right for a week or a month sometimes, just because the process is just so nutty. And for us to look beyond two or three decades, beyond two or three years -- I think it's incomprehensible. I just don't understand how we get to where this needs to go for this to be a successful venture.

My question to you is: If we didn't have an issue, is it really-- If we didn't have a deficit issue, or we didn't have a pension and a medical liability -- they talk about $50 billion or $60 billion. If all things were paid, and the bills were paid in New Jersey, the question is, would-- From a public policy standpoint, would we look at this just because it's the right thing to do? If we didn't need the money, would this be the right thing to do?

MR. SEGAL: I believe you would look at it.

ASSEMBLYMAN O'TOOLE: Tell me why.

MR. SEGAL: You certainly would consider it, again, for all of the reasons mentioned. And I gave you a condensed version of my testimony.

But in just being able to get new resources, to build additional infrastructure-- Even if you had all of your bills paid, you will have continuing needs over the life of the deal. You will need new bridges, you will need new roads. You can generate more customer service orientation. The 91 express lanes in California, for example, have a speed guarantee -- that if you pay the toll when you get on the road, and if there's congestion and you do not travel the rate of the posted speed limit, your toll is refunded. That's a customer service innovation that was brought by the private sector that we would not have seen otherwise.

Just in terms of highway operations, and driving new -- other new innovations, and bringing private-sector expertise into how state DOTs operate is a benefit.

ASSEMBLYMAN O'TOOLE: I have been--

My last comment, Chair, is that, to me-- I know the private sector certainly has an opportunity to do certain things right and better than government. Government doesn't always get it right. But I will tell you, looking as a Republican who is pro-business and pro-entrepreneurial spirit here, I get concerned when we talk about something of this magnitude, when you're talking about transportation and public good, when you're talking about homeland security -- a significant public good. I just hope that we don't get jaded and prejudiced by this looming deficit. I really think that's going to be prejudicial to this discussion. I think in desperate times, people take desperate measures. And I just hope this isn't the time we're really contemplating that.

But, Chair, I really welcome the opportunity we have. Three may not be enough, is what I'm going to say to you. We may have to have a series--

ASSEMBLYMAN WISNIEWSKI: You may be right.

ASSEMBLYMAN O'TOOLE: --of discussions throughout the State of New Jersey. Because this is just-- We are staring down the barrel of a potential apocalypse. And we need to really look and know the facts before we proceed with a green light or a red light.

ASSEMBLYMAN WISNIEWSKI: Thank you, Assemblyman O'Toole.

Mr. Segal, you're talking about Route 91 in California. Didn't the state buy that back?

MR. SEGAL: It did buy it back. (laughter)

ASSEMBLYMAN WISNIEWSKI: Assemblyman Manzo.

ASSEMBLYMAN MANZO: Thank you.

Thank you for your testimony.

Just two points I note, because I know you mentioned the Indiana Turnpike and also the Chicago Skyway.

I've had my office doing extensive calls to various transportation sources, and I think the opinion on whether that's working well is who you ask. Because in-- We're finding out, in the Chicago Skyway, there's a serious degradation problem. And just in the snowstorms over this Winter, Indiana has experienced massive trouble with their pike that they hadn't experienced when the roadway was under state control. So that's a debate I think the Committee, hopefully, will address at another time.

But the question for you directly-- You said the number one issue that was driving these ventures was highway funding shortfalls. That was the number one issue, I believe, you testified to.

MR. SEGAL: Correct.

ASSEMBLYMAN MANZO: And isn't it the truth that it's just the opposite? It's really-- What's driving these is a shortfall of state funding, like here in New Jersey? We don't have a problem with the Turnpike driving revenue, we have a problem with the financing practices of the State that caused a $100 billion deficit. So isn't that what you find is really-- I mean, in New Jersey it's really driving it. Is that what's happening in these other states?

MR. SEGAL: In the other states, it is a need for finding new revenues for transportation, specifically. There are other challenges. It's all the same pot when it comes down to it and how you divvy it up. In Pennsylvania, they have a specific transportation shortfall -- funding shortfall. That is why they are exercising it. But they also do have significant levels of debt that they would be interested in retiring as well.

ASSEMBLYMAN MANZO: Okay. You also mentioned -- and this was a point of interest, I found, when Chairman Wisniewski mentioned that they're looking at cheaper sources of funding or bonding rates. There's nothing cheaper than a government, no-interest bond. But you mentioned that they're finding other markets. But isn't it true, in those markets it's a higher risk? And to get the lower rate, you're taking the higher risk?

MR. SEGAL: I presume it is. But, again, the risk is not on the taxpayer, it's on the investor.

ASSEMBLYMAN MANZO: Well, for example-- I dispute that because, for example, our own pension fund recently invested money -- about $19 million -- in a hedge fund. And it lost that. And that comes back, again, to the taxpayer, because the taxpayers of the state are supporting the pension funds. So the mistakes made on investment, or the mistakes made on bonding -- in this case it's money to free up for the State -- will eventually fall back on the taxpayer.

Two quick other questions. You mentioned the fact that you could write into law provisions if the authority that buys the Turnpike didn't meet the fulfillment of their obligations 50 years out say. This is a problem we discussed here. But it would be an impracticality, I could tell you, 50 years from today if they didn't decide to start plowing the road when six inches hit -- for the State then to just massively build up a whole infrastructure to replace the Turnpike infrastructure they have today. We would literally be held at the mercy of an authority and literally have to wind up in court trying to fight a contract. I don't think that's a serious option. Has there been an instance in any of these other states where some of these problems have occurred? And how have they been resolved?

MR. SEGAL: No, there have not been problems. The 91 Expressway -- where the state did ultimately buy the facility back -- was, frankly, a poorly written contract that did have an exclusive noncompete clause that was hamstringing the state from -- the government from doing anything else. So they essentially bought out the contract. That's the only instance where one of these deals was brought back in.

ASSEMBLYMAN MANZO: Final question: Obviously, companies going into these ventures are looking to make a profit. I assume that the only way you would look at this is in the business sense -- is that less employees, less maintenance, higher tolls. You touched on tolls in saying that they would make a decision based on trying to attract more cars there, and that perhaps price increases in tolls would be a disincentive for them to get traffic on the roadways.

MR. SEGAL: Correct.

ASSEMBLYMAN MANZO: However, in New Jersey, with the Turnpike, it is a road of convenience, and it is a corridor that literally runs through the heart of this state. I'm sure a smart businessman would know that and know by the fact that, essentially, you could raise tolls to kingdom come, people are still going to have to travel that route, because time is money.

MR. SEGAL: Well, again, you do-- This body does wield a tremendous amount of control in setting limits on how fast and by how much tolls can increase.

I'll point to a couple of examples. Both the Ambassador Bridge and the Detroit Windsor Bridge -- or Detroit Windsor Tunnel -- which are investor owned, and always have been investor-owned assets-- They are not subject to price caps at all. It is a major throughput. It's not necessarily the New Jersey Turnpike, I understand. Yet we don't see obscene tolls in the hundreds of dollars. They remain fairly consistent, again, to keep a high flow of traffic.

ASSEMBLYMAN MANZO: Thank you.

Thank you, Mr. Chairman.

ASSEMBLYMAN WISNIEWSKI: Thank you.

Assemblyman Bodine.

ASSEMBLYMAN BODINE: Thank you, Mr. Chairman.

Mr. Segal, your testimony convinces me even more that there is a lack of understanding of this financial agreement of this magnitude.

And, Mr. Chairman, I agree with Assemblyman O'Toole. Three is a minimum. And we appreciate you putting these meetings together to help us.

ASSEMBLYMAN WISNIEWSKI: Thank you.

ASSEMBLYMAN BODINE: But I'd like to make an observation. We have about four different groups that are responsible for the roads. We have, for the -- State highways, authorities, counties, and municipalities. And they are very well-coordinated and work together.

This morning I came from Exit 4, in South Jersey, with full confidence that the road was going to be clear, and it would be safe to drive, and it is. But this state is north-south. We talk about levels of snow, and that bothers me. Because you can get buried up here with 12 or 14 inches of snow. And down in South Jersey, where I'm from, we may get one or two inches, or three or four. And I can assure you that if somewhere -- that if that entire New Jersey Turnpike wasn't plowed, those residents in whatever area would see that up to some point it was cleaned, and the other wasn't, that would wreak havoc on all of us sitting here, as far as responding to our constituents. So that just introduces another factor in the equation. We think financial, but there's an awful lot of subtleties that have to be explained and we have to learn in our meetings.

Thank you, Mr. Chairman.

ASSEMBLYMAN WISNIEWSKI: Thank you, Assemblyman.

Mr. Segal, just--

And I know Assemblywoman Vice Chair Stender has a question, but I just wanted to interject.

Are you familiar with other privately owned infrastructure in New Jersey?

MR. SEGAL: Not in great detail.

ASSEMBLYMAN WISNIEWSKI: We have a bridge in South Jersey. It's called the Beasleys Point Bridge. It's privately owned. There are no cars on it and there are no tolls on it, because the private owner has not maintained it.

In a deal where-- You say that they're going to risk their money. Somebody has risked their money here, and they've walked away from it. How do you prevent that? I mean, it's happened in New Jersey already. How do you prevent that, realistically?

MR. SEGAL: Well, without knowing the details of this bridge, and how the bridge was built, or how it came to be being built, again I would point to the concession agreement and the levels of performance and requirement; and the State's role in oversight, and auditing, and evaluating to ensure that the levels of service were maintained.

ASSEMBLYMAN WISNIEWSKI: Thank you.

Assemblywoman Stender, Vice Chair.

ASSEMBLYWOMAN STENDER: Thank you, Mr. Chairman.

Mr. Segal, I think certainly the numbers that you talk about are compelling, not only because of the State's deficit and debt, but because of the need to maintain. I think you mentioned $6 billion nationally is what's needed to--

MR. SEGAL: Well, an additional $6 billion just to maintain, over what is currently being spent.

ASSEMBLYWOMAN STENDER: Just today, with what's out there and current conditions.

MR. SEGAL: Right.

ASSEMBLYWOMAN STENDER: And especially understanding that the movement of goods and services is essential to our economic development.

MR. SEGAL: Absolutely.

ASSEMBLYWOMAN STENDER: I mean, it's the cornerstone. If we can't get things around, then we stagnate.

But I've always operated under the premise that government's only commodity is service. And it seems to me that the public sector financial market's commodity is profit, which certainly puts it at cross purposes of our obligation to protect the public health, and safety, and welfare of people.

When you talk about the fact that we're contemplating -- or it's being suggested that this monetization of the Turnpike would yield somewhere between $10 billion and $20 billion, depending on which version you're talking about.

MR. SEGAL: I believe the Chairman suggested that.

ASSEMBLYWOMAN STENDER: Those are the numbers that seem to be repeated.

I'm wondering if you could speak to the issue of what's a reasonable and customary cost of doing those deals. I mean, that's one of-- Because I think what we're talking about here is that it costs money to maintain the infrastructure. And we need to maintain the infrastructure. So the question is: How are we going to fund it? Where is it going to come from? Who is going to raise the revenue? Because that's really what you're talking about. It's raising tolls. If we're going to have more money into the system to do whatever we so choose, you're -- it's saying that these tolls have to be raised.

But to generate the kind of money that we're talking about, it seems to me that there's going to be significant costs associated-- Somebody is going to be making money on doing these deals: the lawyers, the financial advisors, the fees for Wall Street, etc., etc.

MR. SEGAL: Sure. I don't know what a reasonable fee for financial advice from Goldman Sachs or any of the others would be. Certainly you would want the best advice, whether it be financial advisors, whether it be legal advice. You want the top-notch, to ensure that the taxpayer and the user are ultimately protected. So I see it as perhaps a small investment for added security over the long run.

ASSEMBLYWOMAN STENDER: But you don't -- you can't speak to whether we're talking about 10 percent, 15, 20, 25 percent of the deal?

MR. SEGAL: I wouldn't imagine it would be that high. I would suspect it would be much lower.

ASSEMBLYWOMAN STENDER: Because I would be very interested in that. Because even if it's only 10 percent on $20 billion--

MR. SEGAL: That's a great deal of money.

ASSEMBLYWOMAN STENDER: That's a couple billion dollars that would seem to me we would be better spending for public purposes, providing service, rather than profit for Wall Street.

MR. SEGAL: My recollection from Indiana was that the financial advisors received somewhere between $12 million and $20 million on a $4 billion deal. But I could be way off.

ASSEMBLYWOMAN STENDER: I'm sorry, say that again. What did you say?

MR. SEGAL: I believe it was somewhere between $12 million and $20 million on a $4 billion deal.

ASSEMBLYWOMAN STENDER: Okay.

MR. SEGAL: But, again, I don't have the numbers in front of me. I could be wrong.

ASSEMBLYWOMAN STENDER: All right, thank you.

And then the last thing I wanted to ask you about was the customer service, because you've harkened on how the public sector is better at providing customer service. And I guess I'm skeptical of that, as well. For anybody in the state that's had -- and I'm not going to name names -- but anybody that's had to deal with cable companies or phone companies in trying to get service, I wouldn't exactly call it a wonderful example of efficient response to the public. And so I would continue to be concerned about that, especially when we talk about the issues of whether it's in the contract or not, and when we're trying to get a response to deal with it on an emergent issue.

Thank you.

ASSEMBLYMAN WISNIEWSKI: Thank you, Vice Chairwoman.

Assemblyman Kean.

ASSEMBLYMAN KEAN: Thank you, Chairman.

Let's see if I can get this-- (referring to PA microphone) Can you hear me? Am I okay?

Chairman, thank you for holding this Committee hearing this afternoon. And I'm not going to be redundant. I share the same views of a lot of you that have already spoken.

And, Chairman, you know, coming from Monmouth County, the center part of this state-- You talk to some of the old-timers down there in my neck of the woods, and the Turnpike and the Parkway drastically changed the way people live and people -- and communities developed down in that part of the state. But it was a two-way street, so to speak. Because it enabled people that live up here in Secaucus and surrounding areas to make it down to the shore, and vice versa. It expanded the economy of Monmouth and Ocean County, because it enabled people to reside down on the shore and yet commute and work up here, where there was more of a financial center.

And now, things have just become wide open, which is good -- which is good for the economy of the state. It has helped people attain another piece of the American dream by virtue of these transportation -- really amazing feats of engineering and construction -- these toll roads in the state, toll roads that are independently sustained, don't need any money out of the State Treasury to sustain them.

These roads are something that government should continue to run. Because if we give up control of these toll roads-- And, today, the weather is a perfect example of that. Today, as Assemblyman Bodine said, you didn't have any question, when you got onto the Parkway and the Turnpike down from Monmouth County to come up here-- I knew we were going to be okay. I knew these toll roads were going to be perfectly maintained the day after an ice and snowstorm.

Just anecdotally, down in Monmouth County we have something that, for years and years, the government ran -- the Garden State Arts Center. And as a Republican, with my colleague Assemblyman O'Toole -- as Republicans, sometimes we look at -- government should get out of certain areas of the economy, and should let the private sector control certain types of functions and certain types of businesses.

I have to tell you, as a kid -- some of you may have shared my experience -- going to concerts and events at the Garden State Arts Center over the years -- that all ended back in the early '90s when the State, at that time under Republican leadership, transferred control and the running of those facilities at the Garden State Arts Center to a private facility. They lease it to a private facility. I have to tell you, I don't go back anymore. Do you know why? Because it's not the same. It's not the same facility, it's not run the same way. They're concerned about the bottom line, they're not concerned about the product.

And those are my fears. My fears are that if we give control over to a private entity, they're not going to care. That private consortium may be sitting somewhere in Sydney, Australia, or somewhere in Europe, or somewhere, certainly, probably not in New Jersey.

And I want to end by saying, once again, Chairman, I appreciate it. And I salute your efforts on this particular issue.

I've asked to go on Assemblyman Manzo's bill, which would ban the sale of the Turnpike and the Parkway. And the State-- And I would ask the Chairman to consider, at one of our future Committee meetings, to post that bill for a vote, so we can send a message to the administration, right here, from this Transportation Committee, that the answer is no, and that the administration doesn't have the votes.

One last question, if I may -- and this may go to staff or to Chairman Wisniewski -- is, do you know if there is any way this sale could go through without legislative action? Does anybody know the answer to that?

ASSEMBLYMAN WISNIEWSKI: Based on the research that I've asked the Office of Legislative Services to do, it would take an act of the Legislature to authorize the sale or the lease of either -- or any of the toll roads or any of the State assets that are being talked about. And I think that's one of the issues behind-- For instance, Senator Lesniak's bill would give that authority. But that's my understanding of the research from the Office of Legislative Services.

ASSEMBLYMAN KEAN: Thank you.

ASSEMBLYMAN WISNIEWSKI: Assemblywoman Beck.

ASSEMBLYWOMAN BECK: Thank you. I appreciate it.

I had lots of confidence getting on the Parkway, not so much confidence trying to get my lights to come on this morning. Monmouth County is still struggling with the storm a little bit.

My apologies for being a little bit late.

I just had a quick question for the gentleman that just gave the most recent testimony, which is: Could you give me-- Because I know just the basics about the Chicago and Indiana sale. But could you just tell me how much roadway was really a part of that project? And what was the length of the road?

MR. SEGAL: The Indiana Toll Road is 157 miles. The Chicago Skyway is either a seven- or a nine-mile stretch of road. But the entire Pennsylvania Turnpike is also being considered, as we speak, as well.

ASSEMBLYWOMAN BECK: And so the entire Indiana Toll Road was included in the--

MR. SEGAL: Yes, ma'am.

ASSEMBLYWOMAN BECK: --monetization?

MR. SEGAL: Yes, ma'am.

ASSEMBLYWOMAN BECK: We're talking, between the Parkway and the Turnpike, as you realize, 330 miles of roadway.

MR. SEGAL: Sure.

ASSEMBLYWOMAN BECK: Interstate travel -- it's really the main artery between New England and, of course, the southern states.

Do you have any sense of how that would affect our Federal funding?

MR. SEGAL: Well, the U.S. Department of Transportation has put out its own model legislation encouraging states to use public-private partnerships and consider deals similar to this one. It is my understanding, in addition, that Secretary Peters and Assistant Secretary Duvall have stated that this would not affect Federal funding in any manner. But I would certainly advise consulting Federal Highway and U.S. DOT before moving forward.

ASSEMBLYWOMAN BECK: You know that they said that, or you think that they said that?

MR. SEGAL: I believe that they said that, but I would--

ASSEMBLYWOMAN BECK: You believe that they said that.

MR. SEGAL: But I would recommend that you would contact--

ASSEMBLYWOMAN BECK: So the answer is that we don't know.

MR. SEGAL: I don't know.

ASSEMBLYWOMAN BECK: We don't know.

Just a quick statement before I continue my questioning. I question whether or not a profit motive is appropriate for everything. I'm not sure it is. I think sometimes you have a public asset and a public entity, because a profit motive doesn't work. And so I have a question. How does a profit motive work when you're talking about improvements to the New Jersey Turnpike? For example, Exit 8, in my district, is currently under consideration for restructuring. Really, it will improve the roadway somewhat, but it won't generate any more revenue. So why would a shareholder in a private company want to authorize that improvement? What's the profit motive?

MR. SEGAL: Well, their motivation is, again, going to derive from the concession agreement and the level of service that is required. In Indiana, for example -- again referring to a deal that has been completed, and we can actually learn from -- the concessionaire, shortly after taking over operations, put forward between $250 million and $400 million to widen a piece of the western part of the Indiana Toll Road, because they were experiencing congestion and needed improvements. If they didn't do that, if they didn't pledge that money, and begin the design, and engineering, and the actual construction, they would -- potentially would fall out of the levels of service, as defined in the contract, which would have had penalties potentially as severe as losing the contract.

ASSEMBLYWOMAN BECK: So we have to rely on a legal contract when it comes to doing the right thing for the public. Because you understand, right now, the reason that the Turnpike or the Parkway may improve the roads and, of course, maintain the roads is because the public demands it. So the public might demand it, but the State of New Jersey is going to have to rely on a legal contract and possibly pursue legal action to get any of those things accomplished if we privatize it.

I question if that's the right direction to go. And I agree with our Chairman and congratulate him on not only this hearing but the other two that he has planned. I do think friends don't let friends monetize. (laughter) (applause) And this is a mistake. I think this is a mistake for the long-term well-being of the State of New Jersey. This is really another debt scheme to get money upfront and mortgaging the long-term future of our state. And a profit motive does not work with this public asset.

Thank you.

ASSEMBLYMAN WISNIEWSKI: Thank you, Assemblywoman.

Seeing no further questions, Mr. Segal, thank you for your testimony. I appreciate you taking the time to be with us.

I just want to conclude on one note. The notion that a public-private partnership is going to provide *X* -- and we'll put whatever number -- *X* billions of dollars -- that's not free money, correct?

MR. SEGAL: Correct.

ASSEMBLYMAN WISNIEWSKI: Somebody pays it back.

MR. SEGAL: Again, the question is, who has the risk. Is the risk on taxpayers?

ASSEMBLYMAN WISNIEWSKI: I'm not-- Who pays it back?

MR. SEGAL: Well, ultimately, it's not an issue of being paid back. The concessionaire is-- They're going to rely on the revenues from the tolls over time to give -- receive a return on investment.

ASSEMBLYMAN WISNIEWSKI: So the people who pay the tolls--

MR. SEGAL: Correct.

ASSEMBLYMAN WISNIEWSKI: --are the ones who are paying the money. Seventy-five years, or 99 years -- but they are the ones who are paying the money that we're taking benefit of today.

MR. SEGAL: Correct.

ASSEMBLYMAN WISNIEWSKI: So one of your comments at the beginning of your testimony -- that there was a lack of will to raise revenue to do certain things in government, and that a public-private partnership is a way to get that money. It still has to be paid back. It just gets paid back over an incredibly--

MR. SEGAL: Over a long period of time.

ASSEMBLYMAN WISNIEWSKI: --long period of time.

MR. SEGAL: Sure.

ASSEMBLYMAN WISNIEWSKI: Okay. Thank you.

MR. SEGAL: Thank you.

ASSEMBLYMAN WISNIEWSKI: I'd next like to call Martin Robins, Senior Fellow and Founding Director of the Voorhees Transportation Center.

Marty, please begin.

M A R T I N E. R O B I N S: Mr. Chairman, members of the Assembly Transportation Committee, it's a distinct privilege to be here today to talk to you.

I want to thank you for the opportunity to talk about this very important subject at an early stage, before policy is formed. It's a subject of great importance in New Jersey. Fateful decisions are at stake. And I also want to personally thank Chairman Wisniewski for participating in a Voorhees transportation program that was held at Rutgers on January 31, which I'm going to refer to, because his participation and that of others really gave some direction to this very, very important debate.

I'm going to confine my testimony to the subjects that I feel competent, as a student of transportation policy, to address. I'm not a financial expert. So I want to talk about what is at stake, from a transportation point of view.

The issues that I will raise are as follows. The role of the Turnpike Authority's roads in the New Jersey economy; the history that we've seen of the evolving integration of the New Jersey Turnpike Authority into State Transportation policy; the reasons to continue this policy and functional integration; questions about the delegation of responsibility over the control of toll rates; goals by which to measure any new arrangement, if there is one, and what principles to consider; and finally, what I consider to be the priority uses of any money that might be raised from such a transaction.

Treasurer Brad Abelow spoke at our event on January 31, and he was cautioning us -- and I think it's important to remind everyone -- that there is no deal -- not even a deal -- he's not going to have a deal. He's going to have, maybe, an approach, that will ultimately be presented to the Governor, and it will be presented to the public and the Legislature. But we haven't reached that point at this stage.

But what he did describe was the procedure that the Governor's staff was working on. And I found what he had to say about that process importantly reassuring in this respect. He laid out that there is a need for substantial capital funding sources in New Jersey. And we know the list is quite long of the things that -- the areas of need that exist in the state, and the absence of apparent sources of funding to do those things. He said that the process was going to be deliberate and deliberative. He said that a starting point -- and this gets to some of the points that have been raised. He said that nothing is broken. He said, from his point of view, the Turnpike Authority's institutional structure functions, and it does on a day-to-day basis -- as you've described. And it also takes care of the Garden State Parkway's needs -- which we know the merger of the two bodies was really driven by the Garden State Parkway's problems. And the Turnpike Authority, over the years, has made contributions to the General Fund and the Transportation Trust Fund. So it's very important to take all of those things into consideration as we move forward.

He also mentioned, finally, that the other transactions that have been referred to, such as the long-term concessions, are useful for analysis. But he added that there is no cookie-cutter solution that is appropriate to New Jersey, that the context is different in New Jersey. And I want to emphasize that point. I think it's dramatically different in New Jersey. And therefore, if there is ever any kind of a deal here that is struck, it's got to be a deal that is suitable to the long-term needs of the State of New Jersey.

What we have -- and Assemblyman Wisniewski called it a thorny question -- is a very difficult balancing act. And that balancing act involves reconciling this inescapable need for new revenue for many different needs and, at the same time, trying to avoid imposing obstacles to system integration, consumer-oriented technology, economic development; and not, in any way, imposing toll increases that are going to be deemed particularly onerous by the public.

The New Jersey Turnpike Authority, controlling both the Turnpike and the Garden State Parkway, is probably the most important magnet for economic development in New Jersey. The examples in northern New Jersey, in central New Jersey are staggering. The growth of the port and the airport, to a significant degree, has been attributable to the availability of the capacity of the New Jersey Turnpike. Warehousing industry has flocked to the Turnpike. And you can only look at Interchange 8A and Interchange 12 as an example of what has happened because of the Turnpike's reach.

Office and hotel development are also very prominent along the Turnpike and the Garden State Parkway. And as Assemblyman Kean said, the economic development of Monmouth and Ocean counties is really largely attributable to the fact that the Garden State Parkway was built and continued to be improved. And so I look at the Turnpike as an incredibly important -- and the Parkway -- as incredibly important assets for the future of this state.

Another perspective that I'd like to add is, I've been in this business now for over 30 years. And I've watched the Turnpike Authority, and its predecessor, the Highway Authority, evolving from being very autonomous from State policy and transportation, to being far, far more a part of the solutions. And it started when -- in Governor Kean's administration -- the Commissioner of Transportation was added to the board of both of those agencies, which are now one.

And what we've seen is a constant migration and evolution of those agencies to being part of the policy activity in the state. The Turnpike and Parkway participate in Transcom, which provides real-time traffic information and construction coordination. The Turnpike Authority is now hosting the statewide operation center, something that would have been unthinkable 20, 25 years ago.

The E-ZPass process was accomplished through a consortium of public agencies, not only in New Jersey but beyond New Jersey. And the Turnpike Authority participated in it. Express E-ZPass has been implemented. And we hope that more -- we see more of it in the future, because it certainly is a marvelous innovation. The HOV lane was put into effect through policy coordination with the State. Access ramps to public transportation facilities, such as Metropark, have been built.

There is economic development planning going on right now. I point to Interchange 12, where you have brownfields and fallow land around Carteret and Linden -- that if those were developed by the Turnpike Authority, appropriately, we could have a burst of economic development in those communities. And I'm sure that the forward-thinking leadership of the Turnpike Authority could put together, if it hasn't already -- put together a program of system integration, congestion relief. And we know they're working on the widening south of 8A, transit preference, consumer-oriented technology, and economic integration. So there's a great agenda that this combined Authority has before it. And we don't want to knock them off course from that agenda.

So the thing that I'd like to -- additional things that I think ought to be considered are the following: truck toll policy. I see my friend Gail Toth is sitting there behind me. We already had a terrible experience when truck tolls were grossly increased in the early 1990s. And part of the problem that we had is the experience of driving trucks off the New Jersey Turnpike onto roads that are inadequate for the acceptance of trucks. We have to be extremely careful, in any arrangement that is made, that truck toll policy is -- considers the environment of the rest of the road network in the state.

You have to remember that these two roads are over 50 years old. And most of the physical facility is badly in need of continued attention, massive rehabilitation -- has to be attended to. There are 400 bridges alone on the New Jersey Turnpike. And this agenda cannot be shortchanged.

The consumer-driven technology projects -- like Express E-ZPass, and technology beyond that -- they shouldn't be short-changed either. We need to keep moving forward with that and build that into any kind of financial plan. We need to think about how the Turnpike and the Garden State Parkway can play a role in energy conservation and global warming strategies -- the things that are right around the corner that we need to think about. And we can't lose control over these vital assets.

And another issue of current concern -- emergency evacuation and safety and security actions. We have to make sure that the public interest and public control over these entities is still in place, notwithstanding whatever transaction comes about.

So with all that, there's plenty to think about as one attempts to forge any kind of a transaction. And one of the critical questions is: To what extent do we want to delegate the responsibility over -- in a lockstep way -- to a mechanistic process of toll increases? Or should we retain the government's oversight over that process?

So here we are. We now have the following goals. One, we do, in fact, need to attract a substantial amount of capital. And I cannot argue with Governor Corzine and his staff for looking at this concept. But we have to recognize that public controls need to be built in. And those public controls may lower the income or the take that may come out of this transaction. They could have a very substantial effect on it. So it's a balancing act between those two.

I think that what we are going to have to think about -- and I think that Treasurer Abelow made reference to this -- is something that is not a cookie-cutter solution. It is some variation on the theme, something that enables us to maintain a considerable amount of public control over investment, and periodic toll increases, and other activities; and, at the same time, if we can, come up with a way to inject new resources into our budgets -- capital budgets.

And I've been trying to think about something that is somewhat comparable. And I'm not saying that it is exactly on point, but we have had a relationship with utilities for decades and decades, in which utilities are guaranteed a rate of return and provide a certain set of services, but they are regulated. And there are capital investment programs that are negotiated and driven into that rate of return that the utility has. And there may be some element of that, that has a bearing on how we may want to go, so that we have a continuing oversight and it's a continuing dialogue here.

As far as-- My last point is this: priority uses of the money. There are many, many uses. You've all spoken to that. I would argue that the most important single use that money from a Turnpike -- from any transaction -- that it gives any kind of concession, regarding the New Jersey Turnpike and Garden State Parkway -- the money should be put into transportation. We have a massive amount of bonds that have been issued, and the Transportation Trust Fund will run out of money again within too short a time. And we need to free up the existing stream of revenue -- that is $805 million a year -- and give us an opportunity, as a starter, to begin to breath again, in terms of transportation financing. And we also need to think about a project that is my favorite, and is the favorite of many others -- the Trans-Hudson Express Tunnel -- that if that project is to be built -- it's a $7 billion project. If that project is to be built, funds are needed to fill in the local share on that project -- that we do not have the entire funding package in place. And when the Federal government does deliver -- and I hope that they will -- there still will be money that will be needed.

So with those thoughts in mind-- Those are the messages that I wanted to bring to you today.

Thank you.

ASSEMBLYMAN WISNIEWSKI: Marty, thank you, as always, for your testimony.

Again, I will take the prerogative of the Chair and ask this question: Would we be having this dialogue if the State were not in the financial shape that it is in?

MR. ROBINS: I believe that we would not be having this dialogue. But the State is in a very bad financial condition.

ASSEMBLYMAN WISNIEWSKI: I think we all agree.

MR. ROBINS: Pensions, education, open space, transportation.

ASSEMBLYMAN WISNIEWSKI: But my point is that-- Would you agree that we have gotten to that position -- $50 billion or $100 billion in debt, pick your number, we've heard them both -- in part because we have made choices to borrow tomorrow's dollars and spend them today?

MR. ROBINS: Absolutely. I have written on that subject extensively in the transportation field and have been very unhappy with the course of State policy in that area.

ASSEMBLYMAN WISNIEWSKI: And you've heard the aphorism that the definition of insanity is doing the same thing over again and expecting different results.

If we're borrowing tomorrow's dollars and spending them today by monetizing the Turnpike, aren't we doing -- committing the same fault that we're sitting here today, ringing our hands, saying, "We've spent tomorrow's dollars today. We need to find a way to solve it, so let's spend some more of tomorrow's dollars today to solve it."

MR. ROBINS: Well, I'm not sure. I'm not sure of that point. Because the Parkway -- it's called the Turnpike Authority -- has the ability, and the successor to the Turnpike Authority has the ability, to raise tolls, there is a continuing process of being able to evaluate what will be needed to continue to improve those particular roads.

What is added to the agenda -- to the equation, however, is the need to be able to provide an adequate return to the holders of the equity or the bonds. And that may make it more onerous.

ASSEMBLYMAN WISNIEWSKI: But I don't believe -- and certainly would welcome your correction -- that the underlying premise of the notion that we could get *X* billions of dollars today, in terms -- and then have a lease for 50, 75, 99 years is not because we have a hundred miles of roadway we need to improve. The notion is that we have $50 billion in debt, schools that need to be built, open space that needs to be preserved, Trans-Hudson Tunnel that needs to be built. We're talking about taking 75 years of toll increases, getting it today, solving an issue today, and paying it out over 75 years. How is that different than securitizing cigarette settlement money over *X* number of years?

MR. ROBINS: Well, again, I didn't come here as a financial expert.

ASSEMBLYMAN WISNIEWSKI: And that gets you off the hook.

MR. ROBINS: I think that there is merit to your point. But I think that there may be an ability to-- Because built into all these transactions is the expectation that tolls would be -- continued -- would continue to be raised to meet new needs over a period of time. So I think that there is some mixture of this, and I'd have to defer to people who are more-- I think it's a difficult question to answer. And I think I'd like to give it more thought, actually, before I gave you a final answer.

ASSEMBLYMAN WISNIEWSKI: Thank you, Marty.

Assemblyman Prieto.

ASSEMBLYMAN PRIETO: Thank you, Chairman.

I just wanted to ask: Normally, when you sell assets, you sell assets that are really not doing anything -- that are sitting there. Now, we're talking about the Turnpike that actually generates revenue -- about $750 million a year. Do you think that's wise -- something that we're getting such a return -- that it's actually making that kind of money?

MR. ROBINS: Well, the point that I was making is that I think the Turnpike has been a very valuable part of our state; and that as it has become more integrated into the policy making in New Jersey, that it has become ever more valuable. And I think that it has almost an unlimited amount of potential to help to make New Jersey have a healthy economy. And so that's why I came here today with so many concerns about how any kind of a deal could be structured.

ASSEMBLYMAN PRIETO: Because one of the concerns-- If you get this influx of money up-front, and you take some of that money to pay down the debt, which is the right thing to do, you still would -- you're paying that down, so you're getting rid of some of that money. And on the other hand, you'd be generating all of that revenue throughout the years that you'd be paying it down. So I just find it kind of difficult to find such a good revenue source -- and we'd be trying to get rid of it.

MR. ROBINS: Well, I mean, if we then freed up a revenue stream for the Transportation Trust Fund of $800 million a year, that would be a financial benefit, which gets back to the Assemblyman's question -- the Chairman's question. These are complex financial issues. We are at the very beginning of this discussion. And I think it's up to the Governor's Office -- the staff -- to think through all of these issues and weigh them, and then come up with a proposal and open it for public scrutiny. And what the Treasurer did say, which, again, was reassuring -- was that there would be a very transparent process. And this is-- I think this hearing and the other hearings that you're going to hold are assuring that there is going to be a transparent process, because you're setting the stage for that.

ASSEMBLYMAN PRIETO: Thank you.

ASSEMBLYMAN WISNIEWSKI: Assemblyman Manzo.

ASSEMBLYMAN MANZO: Yes, I just wanted to comment, Mr. Robins, on your point of -- that eventually this becomes -- the priority becomes making the shareholders a profit rather than making a major artery function/wealth of the public in our state.

And I think that's something, Mr. Chairman, that this group should consider. Because the troubling thing is that in putting this together, there are going to be many people who make money in the bonding component of this. But there are also other people that will make money on the periphery that nobody in the public will ever be able to see. And we don't know where they contributed, what they did, or why this deal is being driven. Because they're in a couple of stratospheres beyond the initial deal.

And I think one of the things you have to consider, if you're going to go down this route, is that transparency needs to be there, and there needs to be a system set up, in an ethically driven state, that we know exactly who is making the profit on the New Jersey Turnpike, not just the initial tier, but the outer tier, as I say.

Thank you.

ASSEMBLYMAN WISNIEWSKI: Thank you.

Any other members?

Assemblywoman Beck.

ASSEMBLYWOMAN BECK: Just one quick note on your testimony, which is: You said something to the effect of, "Well, one of the great things about maybe privatizing is that they could raise tolls." And so that makes it interesting, because they could raise tolls, and generate more money. And maybe I'm not exactly saying it the same way that you said it, but you referenced the ability to raise tolls and that's an incentive for this private company to get more-- Not that I'm advocating we raise tolls, but certainly the Turnpike Authority could do that now, and that revenue would come back to the State directly, without having this other entity as sort of the middleman.

So, again, I'm not so sure that that's a good reason for us to be making the decision. I mean, I think, as Assemblyman Manzo said, there is a public motive to provide transportation in a safe way, in the most efficient way. And a private company profit motive isn't going to serve that. They're going to be interested in responding to their shareholders.

MR. ROBINS: If I may, Assemblywoman Beck, I guess what I was saying was that-- I think we all know that, under the law, the Turnpike

Authority can raise tolls. And the Turnpike Authority has raised tolls. It hasn't raised tolls very frequently on the Garden State Parkway, which runs through Monmouth County. And there is a very interesting divergence between the policies that have actually existed at our toll roads, between the Turnpike Authority, which has raised tolls about five times, and the New Jersey Highway Authority -- which was the predecessor organization -- which only raised tolls once in its long history. So there is a debate that goes on that says, "The public sector has a very difficult time raising tolls." And you could argue, if you look at the Turnpike Authority, "Well, maybe it's not that difficult."

And there-- In this national debate on this subject, some people have raised the question -- and in New Jersey we have this kind of variable history. They've raised the question: Is it right for the public -- the representatives of the public to give away the decision-making about toll raising to a private company, through an agreement; or whether we should continue to slog our way along as we have for 50 years? And it might even be an inconsistent toll policy, as I think we've actually had. But maybe that's the way we like it. And so it's a very challenging, difficult issue.

ASSEMBLYWOMAN BECK: Thank you.

ASSEMBLYMAN WISNIEWSKI: Seeing no other questions, Marty, again thank you for taking the time to join with us. And I'm sure we'll be hearing from you in the future.

MR. ROBINS: Thank you very much.

ASSEMBLYMAN WISNIEWSKI: Next, I'd like to call Len Shiro, Fran Ehret, and Frank Forst, from the IFPTE.

I'll let the three of you decide who should go first.

L E N S H I R O: Mr. Chairman, members of the Assembly, I'd like to thank you for the opportunity to come here today.

I'd also like to applaud you for allowing this process to go forward -- public hearing to lease a public asset is a good thing.

ASSEMBLYMAN WISNIEWSKI: Could I just interrupt you, to state for the record who you are so that it picks up on the tape?

MR. SHIRO: I'm sorry. I'm Len Shiro, IFPTE Local 196.

F R A N K F O R S T: I'm Frank Forst. I'm the Assistant to the President of the New Jersey Turnpike Employees Local 194. I represent 1,500 members of the Turnpike.

F R A N C E L I N E E H R E T: And I'm Fran Ehret. I'm the President of the New Jersey Turnpike Employees Union. And I represent all the maintenance, tolls, crafts, and office workers of the New Jersey Turnpike Authority.

ASSEMBLYMAN WISNIEWSKI: Thank you.

Len.

MR. SHIRO: I just want to stress that the Turnpike, the Parkway, and the Atlantic City Expressway are some of New Jersey's most valuable assets. They're key transportation corridors for business, tourists, commuters, workers. As citizens of the Garden State, we look upon the proposal to privatize these assets with serious concerns.

Some states have already sold their roads with devastating consequences that will be played out over 75 and 99 years. A lot of those consequences haven't been realized because the deals are still new. In Indiana, the foreign owner that leased the Indiana Toll Road got a deal that will be -- continue to pay dividends for stockholders and not the taxpayers.

Now, here in New Jersey, we're considering the same thing. And some important questions need to be answered.

We touched a little bit at this hearing on the noncompete clause, which hampers the ability of the State, and even a county government, to build or expand near a leased roadway. It virtually ruled out any public oversight or public input into the future of the roadway in Indiana.

The problem is whether or not a clause like this would be contained in the leasing in New Jersey, where the population is much more dense. And the economic consequence of a higher toll-- When you talk about leasing, it seems to be automatic that the tolls are going to go up. A higher toll is going to lead to more and more people leaving the toll road and taking local roads, which is going to add to congestion, it's going to add to stress on local roads, and eventually trickle down to the Transportation Trust Fund, which is already at maximum capacity. And there's going to be a bigger problem coming down the pike. Excuse the pun. (laughter)

The other thing is: What happens in 10 years, when traffic in a particular area of one toll road continues to get more and more congested -- whether it's because of more and more people moving south of Monmouth County, Ocean County. What will happen then? Where will citizens go to? Are they going to have to go Down Under and make their case to a board of directors in Sydney, Australia, to add exits or add lanes to alleviate this congestion?

Private companies who purchase roads in other states have dramatically increased tolls. And the question here is: How much will they increase the tolls over, say, a 99 year agreement? How do we guarantee that the company which wins the bid initially will be the one which continues to maintain the local roads over time? Even if you got a company right now, that you say, "Well, they're an Australian-based company. We're fine with that," there's no guarantee that the Australian-based company will keep it. They could turn around and sell it, and you can get into the same problems that we had with the port -- and the buyer is, say, someone from Dubai, or someone else, where we might have security concerns.

So the question becomes: If the roads are-- Another question that comes up is: If the roads are owned by a private entity, can municipalities tax for the portion of land that runs through the town? Currently it's tax exempt. If it's a private company, for-profit company, that tax status might be questioned. If it is, there's economic consequences there which, again, is higher tolls. Because the private company would have to charge more. Higher tolls will lead to more local congestion, more strain and stress on the Transportation Trust Fund.

In its simplest terms, the toll roads are meant to be our roads. If we sell these roads, we would lose our voice as taxpayers and forego our right to have input as to how these roads are either expanded, improved, or maintained.

And I just think that the weather yesterday highlights the difference between the public sector and the private sector running a roadway. Yesterday, 8,400 tons of salt were dropped on the Parkway alone; 4,500 of it was dropped in the central area -- Clark to Toms River. And the question is: Do we want to relinquish control of this to a private sector company that will do a cost-benefit analysis? There is no cost-benefit analysis done now. It's simply: you keep the roads clear, you keep the roads safe, and that's it. Do you want to give it to a private sector company that may turn around and say, "You know what? With the weather being bad, you're only going to have, say, a thousand cars on the road. At $2 a car, that's $2,000. It will cost us $100,000 to clear it. Let's wait a day. If it's 40 degrees tomorrow, the snow will melt on its own. From a cost-benefit analysis, there's more profit for us." Maybe 8,400 tons of salt is a little too much. Maybe you can do that job at 4,200. All of that is a compromise. It's more money for the private sector. But the commuters, the people of New Jersey, are going to be the ones who will have their safety compromised. And, ultimately, it will compromise the economy of New Jersey.

We've heard before, from other people testifying, that these roads are essential. They're essential to the port and all the traffic that comes out of the port. They're essential to getting people down to the shore. They're essential to getting people into Atlantic City from other states. You can't compromise any of this. You can't give it to a private sector that is going to just look at it and say, "How do we make the most money from it? We don't really care what happens to New Jersey in the end."

And I'd just like to also state that while we're all up here -- the three of us -- we're not the only ones in labor that are against this. We have a letter from John Sweeney, from the National AFL-CIO, who opposes the privatization of the road. We also have central labor councils throughout New Jersey, including the Essex, West Hudson, Bergen, Passaic, Hudson, Somerset, Middlesex, Ocean, Monmouth, and Burlington -- all have stated their opposition to this proposal.

So, in closing, New Jersey has the best, and well-maintained, toll roads in New Jersey which, comparably speaking, are incredibly inexpensive. And it's simply not broke, and it doesn't need to be fixed. And I don't think that there should be any private sector coming in and determining what to do here and how to do it. I think that it's a job-- Infrastructure is a job best left with the Legislature, and that's where it should stay.

MR. FORST: Thank you, Mr. Chairman.

Thanks for inviting us.

And, Assemblymen, thanks for coming here today. Assemblyman Bodine, especially to you, for being able to ride up our road. I hope you paid your toll. And I appreciate your testimony about being clear and dry.

And I'd just like to start from there, because that really is a starting point for us. I've represented these workers for 40 years. And I've been with these workers on the Turnpike. Clear and dry has been their motto. They almost wake up in the middle of the night if it looks like snow, and they're ready to go. And they want to make sure that road is clear and open, that people can go flying up that road at the best possible speeds within safe limits, even in a snowstorm.

We happened to get two phone calls from the press yesterday. "Is there a problem? How are things going? We were concerned about manpower." And we talked to the Director of Maintenance. He said, "We've got all the manpower needed. Everything is going fine. The problem is that the ice got mixed in with the snow, and it switched from snow, to ice, to rain, back to ice again." He said, "It was the worst storm we had."

Now, we don't know that a private owner of a road would know what to do. But the Turnpike knew exactly what to do and had that place clear and dry yesterday, even with -- as difficult as it was. And I thought that very important you know: these people know their business.

And when I hear people talk about -- somebody from the outside is going to take control and make efficiencies, I don't know what efficiencies mean. And this toll road has been so efficient that it's hard that the word would apply to anybody else. If you think about this toll road just for a second-- If you heard who testified here just before us -- that 8A was built because they started to develop, economically, all those businesses in South Brunswick, and North Brunswick, and Monroe Township; and when he told you about the ports -- how the ports have been developed -- and the airport. They actually built -- 13A was built just to provide access. People could go to 14. They could get off at Interchange 14 and get to the ports. But so that it wouldn't get clogged up, they provided a whole new interchange. They're now talking about Interchange 12 for the development of Carteret and that area in there -- a brand new interchange. They're talking about a new interchange up at 14A, up in Bayonne -- in this county where we're sitting here, today. And they're talking about 20 miles of widening of the road. At one time, they had the most modern road in the history of the world in the dual dualization of the Turnpike. Whoever would think of that? The widening -- when they went from 15E, 15W, and 18W up toward New York, and built 15 -- both double roads, going east and west going into New York. And who, collecting the tolls and deciding what has to be done, is going to spend their tolls on that, when they can make money?

Now, I was going to make statements about other things -- about the workers. And I am especially going to make them here in Secaucus, because one-third of all the workers on the Turnpike come from Hudson County. And half the workers and retirees are from Hudson County. And just the other night, the Hudson County Freeholders unanimously voted to oppose the leasing of the Turnpike -- unanimously. Because they realize the impact it's going to have on them, and a lot of their workers, and citizens, and economy of this county -- if this thing gets passed -- and how it's going to affect their workers.

But I wanted to talk just a little bit -- and I'm going to wind my part up here about financing. There seems to be a tremendous misconception. And because some of you are young enough not to know -- especially you nice young ladies -- this road is not financed with State money. This (indiscernible) road is financed with bond money. The State didn't put one plug nickel into building the Turnpike, or the Parkway, or the Expressway. It was built with bond money.

And you asked the right question, Assemblyman. And somebody else asked the right question here: Is the money cheaper by going out to a private party? It can't possibly be cheaper. When Bo Sullivan was the executive director, he issued the first $2 billion in bonds, and they were snapped up before the afternoon was out -- $2 billion in Turnpike bonds. It's the best bond buy in the country. And, you know, it does not pledge the faith and credit of the State.

In other words, if the Turnpike borrows $20 billion, they don't pledge the faith and credit of the State. Their credit is good. Their bond holders know they're going to be able to make that nut. If the State pledges $20 billion, you start to get rated, and the ratings start to fall. When they start talking about how much they might have to pay in interest-- The Turnpike only pays somewhere around 4 percent or less in their bondages.

So, anyway, I just wanted to close with that. Don't be mislead about finance. The Turnpike is a well-run, very efficient -- and I hate to say it, because I'm from the union -- but I'm talking about the management, too. I'm even talking about the dedication of the people in charge -- the commissioners. And that's Republican commissioners and Democratic commissioners over the -- because I've been there 40 years with the union, and we've had to deal with them. And we have our disagreements. But I will say this: When it comes to running a road, they're good at it.

Franceline wants to say a few words.

ASSEMBLYMAN WISNIEWSKI: If you could get closer to the microphone.

MS. EHRET: Good morning, Mr. Chairman and members of the Committee.

I do appreciate the opportunity to be here before you today. And I would look forward to future hearings. I have to agree with Assemblyman O'Toole, that the discussion that we're having today has so many intricacies that I believe far more hearings than three are probably necessary to (indiscernible) this issue adequately for the citizens of New Jersey.

The New Jersey Turnpike has won countless awards in the area of engineering, for its uniqueness. It's one of the most traveled roads, if not the most traveled road, in our country. Books have been written, songs have been sung, PBS has had specials about the New Jersey Turnpike and its effect on the community. It's the most integral part of the transportation infrastructure to move goods, and services, and people, as has been said before, here today.

When the World Trade Center was attacked, many first responders traveled the Turnpike to reach New York -- by the Parkway and the Turnpike. And the Department of Homeland Security deemed the two miles of the Elizabeth Corridor of the New Jersey Turnpike as the most dangerous in the entire nation. And both roads are emergency evacuation routes.

We are greatly concerned, as should all residents of New Jersey be concerned, about giving up control of the New Jersey Turnpike to a foreign or domestic private interest. A 75-year lease gives up control long beyond any of us here. And our grandchildren will be the inheritors of our mistakes. Whitman mortgaged the pension bonds, and our children are going to be paying for that. How much more are we going to make them pay for?

I don't know-- Nobody has mentioned it here today, but I just want to mention that the New Jersey Turnpike contributes $27 million right now, each year, to help the State. Private companies -- they want to make money. One way many do that is by cutting their workforce. Currently, the New Jersey Turnpike and Garden State Parkway are maintained to stellar conditions. With the planned widening projects for both roads underway, what guarantee will we have that a private operator won't cut back on workforce? Lane miles are doubling south of Interchange 8A. Having a maintenance staff -- a well-trained maintenance staff constantly maintaining and available for unseen emergencies, such as clearing accidents or plowing snow, is a vital necessity of the safety of the patrons that ride both roadways. And our people are well-trained. They do a fantastic job out there. And a private company is sure to cut back, and we're very concerned about that.

And I just want to touch on one thing that Lenny said about private companies being in charge. Over the years, I think most of us have seen private companies merge and are taken over all the time. Who is to say that whoever purchases or leases the Turnpike couldn't, at some point, be taken over by another company that we don't like or might have some interests that are different than those of America? A lot of the companies that do these lease deals are foreign companies. And this is something that we are absolutely concerned about.

And I think I'm going to end my testimony on that, because hopefully I will have more opportunities in the future to speak out.

ASSEMBLYMAN WISNIEWSKI: Thank you, Fran.

The last point you made just reminded -- and this Committee addressed the issue many years ago -- and that was of E-ZPass, where there was a change in corporate ownership. Even though the technical entity was still there, the people behind the entity had changed. And that's certainly an issue that we have to be very mindful of in any situation like this.

I want to thank the three of you for your testimony.

Any members of the Committee?

Assemblyman.

ASSEMBLYMAN KEAN: Thank you, Chairman.

Just briefly you alluded to it -- but could you speak specifically to how the employees were treated in those other states where these types of deals transpired?

MR. SHIRO: I can speak to that. I know that in Indiana, some of the employees that were retained-- There were layoffs done through attrition and layoffs-- Some of the employees that were retained were put into other positions, positions that they weren't familiar with. And we have, in particular, knowledge of two women -- one 62 and one 65 -- who, for the first time in their careers, were put into plow trucks and told, "You will now plow snow, or you will not work here." And so, to us, that's just an example of, first of all, the compromising of the commuters in Indiana, the compromising of their safety by putting inexperienced people behind the wheel of a snowplow, and, two, the abuse of the workforce which goes on after these companies take over.

ASSEMBLYMAN WISNIEWSKI: Assemblyman Giblin.

ASSEMBLYMAN GIBLIN: I will leave it to whoever wants to answer. With the implementation of E-ZPass, what kind of hit did you take, as far as toll collectors are concerned?

MR. SHIRO: On the Parkway-- By *hit* you mean, how many jobs did we lose?

ASSEMBLYMAN GIBLIN: How many jobs you lost.

MR. SHIRO: Roughly one-third of the toll jobs. We actually lost some maintenance jobs, as well. So, roughly, one third.

ASSEMBLYMAN GIBLIN: And a step further, with the consolidation of the Parkway and the Turnpike Authority-- Do you have any idea how many jobs were saved on the administrative side? I mean, the whole concept was to put the two agencies together, and it would save some cost. Have any costs been realized as a result of that?

MR. FORST: Yes, there was a report just last week when they put out their annual budget. And the figure was 303 less workers today than they had when they merged the two roads -- the two toll roads.

ASSEMBLYMAN GIBLIN: That's everybody, Frank?

MR. FORST: Pardon?

ASSEMBLYMAN GIBLIN: That's everybody, or just administration?

MR. FORST: That's everybody. They have 303 less employees -- Turnpike and Parkway. And that's 10 percent-- They have gone down 10 percent of the workforce. And all of it, so far, by attrition.

MS. EHERT: And on the Turnpike side, when they put E-ZPass out here, at our high we had 850 full-time toll collectors. And we're down to about 350 today.

MR. FORST: We lost about 450 toll collectors.

ASSEMBLYMAN WISNIEWSKI: Thank you.

ASSEMBLYMAN GIBLIN: I'll give you a little reason why Hudson County has so many employees. First, the Executive Director was Bill Flannigan, who was the former sheriff. And he took care of the boys from home. (laughter)

ASSEMBLYMAN O'TOOLE: Hey, Tommy, I've got to tell you, that's the only negative here. Where's Essex County sheriff? I mean, when they said one-third went to Hudson-- I think it sounds like a good idea all of a sudden. (laughter)

MR. FORST: Assemblyman O'Toole, the Essex County group is the second-largest group.

ASSEMBLYMAN O'TOOLE: I'm happy to hear that. (laughter)

MR. FORST: Yes. But Executive Director Flannigan was a brilliant man, who had great concepts, was the most marvelous person that we could meet. He could have easily been a governor. He was an outstanding gentleman.

ASSEMBLYMAN WISNIEWSKI: Assemblyman Manzo.

ASSEMBLYMAN MANZO: I just wanted to thank Bill Flannigan. (laughter) A lot of these guys live in my district.

But I just wanted to comment. I think all of us here are proud of the work that the workers do, especially on maintenance, and tolls, and keeping that highway going the right way.

And I think it's ironic. It's the model of proficiency in a state that does things, so many times, wrong. Maybe we have it backwards, and we should be selling the State to the Turnpike to fix it. (laughter)

MR. SHIRO: We'll entertain bids.

MR. FORST: Assemblyman Manzo, we appreciate very much your sponsoring the legislation to prohibit the sale or lease of the Turnpike.

And we thank, of course, Assemblywoman Beck, who've we heard from; and Assemblyman Kean. And we appreciate all the kind words and outspokenness of Chairman Wisniewski.

Thank you very much for having us here.

MR. SHIRO: Thank you.

ASSEMBLYMAN WISNIEWSKI: Thank you for your testimony.

I'd next like to call Gail Toth, New Jersey Motor Truck Association; and Tim Lynch, from the American Trucking Association.

GAIL TOTH: Good morning.

ASSEMBLYMAN WISNIEWSKI: Just state your name and your organization for the record.

MS. TOTH: Gail Toth, Executive Director of the New Jersey Motor Truck Association.

I'd like to thank you all for allowing us to be here today.

I'll be brief. I'm going to focus on one aspect, and then I will turn it over to the representative from the American Trucking Association to give a national perspective on tolling and leasing our roads.

On the behalf of the trucking industry, one of the largest employers in the State of New Jersey, we have serious concerns about the proposed leasing of the New Jersey infrastructures, especially the New Jersey Turnpike, to private investors to reduce the State's debt.

Transportation is the economic engine that moves the state. The New Jersey Turnpike is a critical link for the freight industry and is also a significant commuter highway. Geographically, many freight origins and destinations reside along the Turnpike, from the largest port on the east coast, to one of the largest airports in the nation, to many mega-warehouses. All of these facilities rely on the use of the Turnpike to move freight as well as our employees.

The new trend in leasing our infrastructures to private investors is a new concept with unknown, long-term ramifications. One thing for sure is that privatizing the Turnpike will result in huge toll increases. And that's what I would like to talk about today. This was the case in the leasing of the Indiana Toll Road and the Chicago Skyway. The Indiana Toll road investors claim that they will break even on their investment in a mere 15 years, giving them huge profits from an additional 60 years of toll increases. Why should the users of the Turnpike be singled out to reduce the State's debt?

Senator Lesniak's debt reduction proposal would provide the leasing of the Turnpike, which would include increasing tolls for trucks annually based on the per capital nominal gross domestic product. A review of the average GDP for the past 30 years indicates that the trucking industry can expect an average toll increase of anywhere from 6.2 to 7 percent annually. By the way, the cars don't get off easy either. The toll increases on the cars would be based on the CPI. The CPI in the northeastern urban areas, since 1968, has averaged 4.9 percent -- though, since 1982, when we managed to get control of inflation, it's now averaged 3.5 percent.

Escalating tolls will increase the cost of truck deliveries for those businesses that rely on the Turnpike to move their shipments. Transportation costs are directly added to every commodity at the marketplace. For example, one of the largest Turnpike users is a grocery company -- one of my members -- with a $150,000 a month E-ZPass bill. Now, how will this company absorb a 50 percent, 100 percent toll increase? Well, it will be paid by the consumer. When tolls are increased, the increased costs are passed on to every New Jersey consumer, rich and poor alike, at the cash register. The increased cost of transportation will be reflected in all commodities, including our basic staples: milk, bread, and medicines.

For some in the trucking industry, they're going to find it difficult to pass the increases on to their customers, so they're going to leave the Turnpike, as was mentioned earlier. And I did some research as to what happened back in the 1990s. In New Jersey, in 1991 -- 1990, there was a 100 percent toll increase. The result was a substantial decrease in truck traffic. Prior to the toll in 1990, there was 12.5 million five-axle tractor trailers that used the Turnpike. Within one week of the 100 percent toll increase, the Turnpike reported a 20 percent reduction in commercial trucks. By 1991, the number of five-axle tractor trailers dropped to 10.8 million, a decrease of 1.3 million. And many of those trucks never returned.

It was so bad that the Turnpike, in 1995, came back and approached the industry and came up with some significant programs to attract trucks back to the Turnpike. These programs included toll discounts, diesel fuel discount programs, and adding additional truck parking spaces. At the time, they also promised us a full-service truck stop, which never occurred.

Significant toll increases are not the only concerns. Private investors are motivated purely by profit. And their primary commitment is to the shareholders, not to the users of the system or to the general public. The extent to which the company provides a safe and efficient highway is dependent upon whether this coincides with their primary goal of maximizing profitability. Will toll rates increase without the opportunity by toll road users to provide input? Will private investors have the authority to impose operational restrictions, such as higher rush hour tolls, the types of commodities we can haul, the types of vehicles that we could use? Will there be a noncompete clause in the lease agreement that would prevent the State from improving competing transportation infrastructures? Will there be any obligation on the part of the private investors to properly maintain the Turnpike, improve the capacity, or provide services such as E-ZPass, parking facilities, and fuel?

The one-shot, multi-billion dollar deal that it looks like the State is looking for will be devastating and will impact on everyone in New Jersey. The citizens and the businesses of New Jersey deserve better. And it's time that our elected officials find the root cause of the problem and fix it.

Thank you.

ASSEMBLYMAN WISNIEWSKI: Thank you, Gail. I appreciate it.

Questions from the panel?

Assemblywoman Beck.

ASSEMBLYWOMAN BECK: Hi, Gail. Good to see you again.

MS. TOTH: Good morning.

ASSEMBLYWOMAN BECK: Good morning.

It's really more of a comment. And you're the second person that's mentioned the noncompete--

I'm aware that U.S. Senators Menendez and Lautenberg, for years -- and members of our Congressional Delegation -- have pursued a project called the Portway -- and I know our Chairman is aware of that as well -- trying to get truck congestion off of 1 and 9, doing some improvements to 1 and 9, and bringing warehousing to exits 8, 12A, etc. -- proposed 12A.

And when you start talking noncompete, and the State's overall transportation program, and the fact that a private company might hinder initiatives like that -- which will both be economic drivers and a benefit to cars and truck traffic alike -- I find that frightening. And I think at the end of the day, many of us have said it -- and maybe it bears repeating -- which is, once you're in a hole, you don't dig deeper. We've got this-- If what's driving this conversation is the State's debt, it certainly doesn't make sense that we go into more debt.

And one of the things I was going to request, maybe of the Chairman, is that we should take a look at a financial analysis of all the debt, and sort of spreadsheet it out, and see how this $10 billion affects it. Because in truth-- You know, when I'm just sitting here-- I sit on the Joint Committee on Public Schools. They want $19 billion just for the Abbotts, $1 billion for universal health care, $1 billion for UMDNJ and Rutgers, $50 billion in State debt, and another $70 billion in health-care liability. I'm not so sure $10 billion, $20 billion -- selling the Turnpike -- even comes close to addressing this. The only thing that addresses it is the Legislature making hard decisions about continuing down the path of digging into more debt.

Anyway, I appreciate your testimony and agree with your sentiments.

Thank you.

MS. TOTH: Thank you.

ASSEMBLYMAN WISNIEWSKI: Thank you.

Mr. Lynch.

That records, the thin one amplifies. (referring to microphones)

T I M L Y N C H: Mr. Chairman and members of the Committee, thank you so much for allowing the American Trucking Associations to testify on this critical and timely topic.

The membership of the American Trucking Associations are all businessmen, businesswomen. They're generally, by lot, a pretty conservative group. They generally don't tell us how much they enjoy working with government at any level. So you may be a little surprised to find out that our position on this issue, not only in the State of New Jersey but throughout the country, is one in opposition. Our membership would much prefer to deal with governmental entities, on something as critical to the nation as highways, than with a private entity.

A seamless, reliable, national network of highways is crucial to our industry's ability to deliver goods safely, rapidly, and on schedule. Since the deregulation of our industry and the completion of the Interstate Highway System over the previous quarter century, the trucking industry has made continuous improvements that have allowed its customers to significantly reduce inventories and create manufacturing and supply chain efficiencies that have saved the U.S. economy billions of dollars and literally become the envy of the world.

We believe that while private financing of highway infrastructure may play an important, yet limited, role in addressing future transportation needs, certain practices may generate unintended consequences whose costs will vastly exceed their short-term economic benefits.

In recent years, some State and local governments have come to the realization that their highway assets may have value beyond these facilities' traditional role of providing a means of conveyance for people and freight. Due to overtures from mostly foreign investment firms, mayors, governors, and other elected officials have concluded that locked up in these assets is a significant source of potential revenue that can be used to achieve various public policy goals. Public officials from Kansas to New Jersey have been approached by investors seeking to take over toll roads in exchanged for a one-time concession fee that can be worth billions of dollars.

While the discussions tend to focus on financing concepts and the great public benefits from concession fee revenue, what often gets lost or ignored is the impact of these deals on the users of the toll facilities and on the general public. Chief among the concerns is the impact of toll privatization on toll rates. Demand elasticity, the art and science of determining how high rates can increase before a significant number of users will abandon the toll road, is the private operator's chief method for deciding appropriate toll rates. Private toll road operators need not be concerned about the social impacts of toll rates on low-income workers or on the cost to businesses that depend on the highway for transporting employees, customers, goods, or services; nor do private operators care about the extent of traffic diversion to lesser quality, usually less safe roads. Their sole concern is to maximize the toll road's profitability within the confines of the lease agreement and the law.

Supporters of privatization point out that toll rates are unlikely to increase substantially, because customers will choose to simply migrate to toll-free roads. In some cases, this may be true. A reasonable, toll-free alternative may be available. However, as in the case with the New Jersey Turnpike, on most major toll roads the only alternative may be a two-lane road with traffic lights and a significant amount of local traffic, or in the case of a toll bridge or tunnel, no alternative at all. Complicating the situation is the standard practice of including noncompete clauses in toll agreements.

Mr. Chairman, I have, through the rest of the testimony, a fairly significant explanation of both the Indiana and Chicago proposals. I won't go through that. I know you've already had some discussion this morning. But I'd be very happy to answer any questions related to either one of those two projects or, frankly, any of the others that have been planned around the country.

And, with that, I thank you for the opportunity to testify and welcome any questions you may have.

ASSEMBLYMAN WISNIEWSKI: Thank you for your testimony.

I'm familiar-- I've spoken with your incoming President, who has told me that this is an issue of growing concern in the trucking industry, nationally, because of the experience in Indiana. Can you enlighten the Committee? I would assume that there have been increased costs incurred. Tell the Committee about that.

MR. LYNCH: On both the Chicago Skyway project and the Indiana Toll Road, there have already been increases implemented in the toll. There are-- Within the lease agreement, there are limitations on the toll agreement and the amount that they can increase. But there are several factors that are used as the ceiling, one of which is a fairly complicated formula involving the Consumer Price Index.

In the case of Indiana, had those agreements been in effect, the toll increases would have averaged roughly 6.2 percent increase over just the last five years. And in addition, on the Indiana Toll Road, there's a limitation on the increases that comes off in 2010. After that, we estimate that the toll increases could rise as high as 8 percent.

ASSEMBLYMAN WISNIEWSKI: Questions?

Assemblyman Prieto.

ASSEMBLYMAN PRIETO: Just a quick question. In your testimony, you had said that any needs that may arise in the future -- you feel it would be easier to deal with a governmental body than a private entity, that basically they're trying to make a profit. So do you think that that would be an issue down the road?

MR. LYNCH: Most definitely. And I think that's really what our concern is. We have an interesting situation in this country. We have an Interstate Federal and Defense Highway System. But the actual asset -- the road itself -- is owned by the individual states. We, frankly, don't want to wake up in 10 years and find out that all of the vital assets-- And, let's face it, the value of these assets is the toll revenue; it's not the value of the road itself.

If you look at the Chicago Skyway, it's an eight-mile road. They got $1.8 billion for it. Yet, the Indiana Toll Road is 160-, 170-mile road -- 10 times the length of the Chicago Skyway. They got $3.8 billion for that one. Those don't-- The size of the asset doesn't matter. It's the revenue that can be generated off of the facility.

ASSEMBLYMAN PRIETO: Thank you.

ASSEMBLYMAN WISNIEWSKI: Assemblyman Manzo.

ASSEMBLYMAN MANZO: You just touched on a point about the strategic use of the roadway, federally, and especially in times of an emergency. And I'm taken back now, because I remember the testimony of the -- of our first speaker -- who was telling us that some of these investments could be made in foreign markets. I find it kind of tough that if we were ever in an -- God forbid -- altercation with a foreign power, and we find that our toll road is being invested with the very country that we're at hostilities with -- what the altercations (*sic*) are. That, and the guys in the -- I guess in the suits, running this operation aren't interested in sending some plows out or-- They're just interested in selling stock and making money.

But the other point is: Is there any quality organization that has done a study on Indiana and Chicago? Or are there any organizations that do that study, as far as the -- you know, what's happened to the roadway, whether it's in disrepair since that and -- someone who we could rely on?

MR. LYNCH: I'll try and answer that as directly as I can. And the shortest answer is, there is not. Because in both cases, those are a relatively new phenomenon. The last highway bill that was signed into law by President Bush -- I think it was August 15, 2005 -- and I did a little work on that legislation. There was never even any discussion of public-private partnerships. This is a phenomenon that has now come up in a relatively short period of time.

And I heard a question earlier from one of the Assemblymen about the amount of information you need, the questions you have. There is a lot here that needs to be digested. And I don't think there's a lot of information out there. And at the end of the day -- and I'll editorialize here a little bit -- at the end of the day, you're going to see a lot of graphs, you're going to see a lot of charts. You're going to learn a lot about financing, public debt bonding, etc., etc. And at the end of the day -- at least in our view -- it comes down to a fundamental. Is maintaining a road system a core function of government? And we think it is.

ASSEMBLYMAN MANZO: Thank you.

Thank you, Mr. Chairman.

ASSEMBLYMAN WISNIEWSKI: Assemblyman Giblin.

ASSEMBLYMAN GIBLIN: This issue of the Port Newark -- with the traffic containers. It's grown about 10 percent a year. That's what our economists in the State are telling us. Basically, my understanding right now, it's virtually gridlocked, in terms of trying to get those containers out. Everybody's complaining about it. The people who run the ports -- they can't move it fast enough. And there's infrastructure work that needs to be done with the Turnpike.

How would you envision, with a private entrepreneur, something like this happening? Will they just kind of shy away from it and leave the Port to itself to figure out how to deal with their traffic issues?

MS. TOTH: That's what I would suspect. They would have no-- There would be no reason for them to fix-- We would be using more of Routes 1 and 9, you know. And we'll use the secondary roads, and it will be difficult.

Also, there is a point that Assemblywoman Beck made. There's, also, currently on the table -- through the MPOs -- to renovate all the brownfields in the area near the Port to bring more jobs, etc. And the whole reason for doing it there was because of the location to the Port, the Airport, and the New Jersey Turnpike for access by trucks.

ASSEMBLYMAN WISNIEWSKI: Seeing no other questions, I just want to make one observation, and I think you're familiar with it. We've heard a lot about transparency -- that any deal has to be transparent. Are you familiar with how many days transpired between the announcement of the bid for the Indiana Toll Road and the day the legislature voted?

MR. LYNCH: If it's permissible, I'd like to submit that to you. We only--

ASSEMBLYMAN WISNIEWSKI: I just-- I guess I was asking it rhetorically. It was 10 days.

MR. LYNCH: Oh.

MS. TOTH: Yes, it was a very short period of time.

ASSEMBLYMAN WISNIEWSKI: So if a deal was put on the table today on the 15th of January, you would be looking at a vote -- if you followed the Indiana model -- not the 15th of January, the 15th of February -- you'd be looking at a vote on the 25th. It's a very short time to actually understand it. And I think it goes to the comments that have been made by all the members up here -- that this is a very complicated issue and has to be truly transparent if it's going to be considered. I'm not sure that that's what's being talked about.

MS. TOTH: There's also another thing to note, too, that I don't think was really mentioned. We have a wonderful, excellent, well-managed -- as was noted before -- New Jersey Turnpike system. Our highway systems are very well maintained and managed.

What they had in Indiana-- They didn't even have E-ZPass. They had a very terrible road. So by bringing in an investor to fix and repair the road to generate more traffic, it's a-- It's like apples and oranges. You're looking at, like, a real country road that needed massive improvements that the state couldn't afford to do. And you look here at the New Jersey Turnpike -- probably one of the best roads in the nation. That's two different things.

ASSEMBLYMAN WISNIEWSKI: You're absolutely right.

Thank you for your testimony.

MS. TOTH: Thank you.

MR. LYNCH: Thank you.

ASSEMBLYWOMAN STENDER: Our next person to testify is Alexis Perrotta, Senior Policy Analyst of the Regional Plan Association.

A L E X I S P E R R O T T A: Good afternoon.

ASSEMBLYWOMAN STENDER: Good afternoon.

MS. PERROTTA: Thank you for this opportunity.

I'll try to keep my comments brief.

The Regional Plan Association began looking at PPPs a few years ago, as part of a larger effort to identify funding for transportation capacity expansion projects throughout the region. And the word *privatization* showed up in the appendices of our reports on the Transportation Trust Fund in 2005. In March 2006, we were asked to write a couple of background papers for a NYSDOT conference on the subject in Albany. So we've looked at this regionally.

We also have board members coming from many different perspectives on this issue. And we've tried to follow the events around the country. And all of this is to say that we're coming at this issue with a good-government, civic watchdog point of view. But we also -- a transportation advocates' agenda.

And we released this report, *Proceed With Caution*, on January 8, and I have a few copies available if you'd like. It's also on our Web site, RPA.org. The central conclusion of the report is that public-private partnerships are not necessarily good or bad, but it depends on how they are structured, on what the specific tradeoffs are, and on how the revenues are used.

As a consequence, it recommends that the State commit to transparency and public participation as it pursues a PPP. And by this we mean disclosing the details of a contract, including the toll schedules, air rights, privacy, and electronic tolling issues, allowable uses of the right-of-way performance standards, and labor agreements -- disclosing those prior to signing the contract, and with sufficient flexibility and time for public input. The Governor's Office has said that they will hold town hall forums and the like, and we will hold them to that.

And the second ground-rule recommendation in the paper is for the State to spend the windfall revenue first on transportation-related expenses. We call this *fair expenditures*, because windfall revenue represents future toll payments by drivers. And the fair use of those is for transportation that keeps traffic moving, both highways and transit, and keeps the economy growing. And the Governor's Office has said that the funds will not go towards any short-sighted expenditures, such as tax relief, but instead as -- and, in fact, as the UBS report recommended, the funds will be spent on debt relief and capital programs. Before any windfall goes to general purpose debt relief, however, the first priority should be to restore the fiscal integrity of the cash-starved Transportation Trust Fund and to support NJDOT and New Jersey TRANSIT capital programs.

I'd also like to address Senator Lesniak's proposed enabling legislation. I've reviewed it in light of the Federal Highway Administration's guidelines. And on the whole, the legislation does not raise any red flags. It is somewhat limited in scope. It only discusses concessionaire-lease PPPs and no other types of structures. It also only applies to the Turnpike, Parkway, and PNC Center, as you know. Additional legislation may be necessary if a more creative approach is sought to this issue.

Additional measures are also needed to address our two main ground rules for transparency and fair expenditures. On transparency, the legislation requires a review committee, and mentions a public hearing. On expenditures, TTF is not mentioned, and the transportation capital program is not specified. Now, this legislation has not established an environment for a PPP quite as we'd like, but the Governor and Legislature still can. And if a pathfinder project -- to use UBS's terminology -- is chosen, the details can be disclosed and discussed, the funds from the project can be dedicated to transportation, and that can happen while staying within the guidelines of the Lesniak bill.

So our response to the bill is not necessarily to actively promote or oppose it, but instead to make sure that when a contract is proposed, it goes above and beyond the stipulations of that enabling legislation.

In closing, I'd like to address two questions that have come up this morning. One is: Would the State try a PPP if it wasn't in such a financial mess right now, if the deficit wasn't so large? And my answer to that is, yes, for two reasons. One is that the public sector does not depreciate its assets. And so when it comes time to repair something or rehabilitate something it gets the money right then -- usually it borrows the money right then. And two is because the infrastructure is getting old. This is a problem throughout the Northeast. The whole-- Basically all of the larger regions in the United States have aging infrastructure. Even if the State had very little deficit, and was in good financial condition, it probably would not be able to deal with the fact that its infrastructure is getting to an age where it becomes very expensive to rehabilitate it. So this kind of influx of capital is needed.

The second question I'd like to address is: Could the State raise tolls and get the same benefit as a PPP? Yes, the State could borrow against future toll revenue over time, and it could cross-subsidize Transit and DOT with that revenue. The benefit of a PPP to the State is the initial windfall revenue that it gets, that $10 billion, to $20 billion, or *X* billion dollars that has been discussed -- and how it spends that money to expand the State's transportation capacity and enhance the economy of the State.

The State can do that without a PPP by committing to a series of modest toll increases over time.

I'd like to finally note that my understanding of the value of these assets to the private sector is not tied up in efficiency savings. Those savings are minimal, if they exist at all. The value is in the predictability of the toll revenue over time. It doesn't need to be a large toll increase for it to be valuable to the private sector, it just needs to be predictable. And I think that is probably something that the public sector could, theoretically, accomplish.

ASSEMBLYWOMAN STENDER: Thank you.

I have a couple of questions. You said that you come at this from the perspective that it's neither good or bad, basically. But if I'm hearing you right, that would change if, in fact, any of this revenue that would be generated would be diverted for anything other than investment and transportation. Is that a fair--

MS. PERROTTA: First, an investment in transportation -- specifically the capital program. And after that, I think it's reasonable to put it towards general debt relief.

ASSEMBLYWOMAN STENDER: Okay.

And then the other thing -- if I'm hearing you -- is that, if this was being contemplated merely because of a matter of aging infrastructure, as you pointed out, that taking all other debt issues as -- putting them aside, that your-- That from the Regional Plan Association's perspective-- That, in terms of dealing with aging infrastructure, a PPP would be an option, versus a gas tax hike, or toll hike, or some combination thereof. You face an either/or kind of situation in order to deal with the needs of moving people and goods around the state.

MS. PERROTTA: Yes, I think that that's accurate.

ASSEMBLYWOMAN STENDER: Okay. Thank you.

Anybody else have any questions for-- (no response)

Thank you very much.

Next, we'll hear from David Weinstein, from AAA Clubs of New Jersey.

Good afternoon.

DAVID WEINSTEIN: Vice Chair, thank you for this opportunity.

Committee members, it's nice to see you all.

Before I get to my prepared remarks, I'd like to circle back to something that Mr. Segal, from the Reason Foundation, mentioned concerning toll increases. I'd like to point out that--

ASSEMBLYWOMAN STENDER: Excuse me. I'm sorry.

I think the skinny, black one is the one that will magnify for everybody. (referring to PA microphone)

There we go. Thank you.

MR. WEINSTEIN: Is that better?

ASSEMBLYWOMAN STENDER: Better.

MR. WEINSTEIN: Okay.

Like I said, I'd like to circle back, before I get to my prepared remarks, to something that Mr. Segal, from the Reason Foundation, said about toll increases and how he was unaware of any in any of the existing PPPs in the country right now.

The Dulles Greenway is actually-- There's a proposal for a 75 percent toll increase over five years on the table right now. AAA considers--

ASSEMBLYWOMAN STENDER: Where was that, at Dulles?

MR. WEINSTEIN: The Dulles Greenway in Virginia.

ASSEMBLYWOMAN STENDER: Okay. A 75 percent increase.

MR. WEINSTEIN: Seventy-five percent over five years. AAA kind of--

ASSEMBLYWOMAN STENDER: What does that mean? Like, from--

MR. WEINSTEIN: From whatever it is right now, over five years, to 75 percent more than it is today. AAA considers that a little unreasonable.

Members of the Committee, good afternoon. I appreciate the opportunity to speak on behalf of the nearly 2 million AAA motorist members served by the AAA Clubs of New Jersey.

AAA has followed this toll road conversation closely. Because no specific proposal exists yet, we have resisted weighing in. With that said, we view today's hearing as the appropriate setting to raise a cautionary flag regarding the public-private partnerships and the long-term sale or lease of State-operated toll roads. AAA's primary concern is that the public interest -- the interest of all those who use the toll roads -- must guide the discussion. On these issues, AAA holds five clear positions.

One: AAA recognizes and accepts that the Federal transportation program, structure, and financing mechanisms of the past half century will not continue to suffice. AAA is prepared to consider, on behalf of our nearly 2 million motorist members, every reasonable structural and financing proposal put on the table. To do that, we need to know: What is the goal? How will motorists benefit?

Two: Public-private partnerships seem to be viewed as the latest "pot of gold," because elected and public officials see the potential to raise significant revenue without the political baggage of higher taxes and tolls, or increased bonding. AAA acknowledges that these partnerships can be an important funding option. We recognize, however, that they are not appropriate for all roads or in all situations.

Three: It is important to examine the public policy aspects of any concession agreement. A good deal for the private sector might or might not be a good deal for the public interest.

Four: In the pursuit of a public-private partnership, the priority must be careful management; assurance that motorist fees are fair and equitable; that revenues are solely dedicated to, and reinvested in, transportation purposes; and that facilities are consistently maintained and improved.

Five: If the motivation of the State to enter into a public-private partnership is to generate up-front cash that addresses an acute, statewide public problem, or finances other expenditures unrelated to existing or new transportation infrastructure, then it is not in the interests of motorists, and AAA will oppose it. AAA is not categorically opposed to public-private partnerships. However, if the goal is to retire or finance nontransportation-related debt service or projects, AAA will oppose it.

Among our objectives today includes putting the public interest before you. As you consider various funding options to address near-term needs, AAA urges you to include the system's users -- your constituents and our members -- in the process from the beginning. To that end, AAA is committed to educating our members and engaging elected officials and policy makers. We intend to evaluate each potential partnership case-by-case. To do that, we need transparency. Revealing a deal to the public only after elected and public officials consent to it is not transparency.

When evaluating potential partnerships, we will ask publicly, "Who will be in charge of regulating tolls? How much will they increase? How will roads be maintained and operated? Who will provides these roads' law enforcement functions? What operating and financial risks will be assumed by the private investor? What risks will be born by the State? How will the revenue be spent or invested?"

AAA has maintained, since its founding more than 100 years ago, that revenue generated from tolls and taxes, fees, and other motorist-paid mechanisms, including mass transit, must be dedicated solely to meeting transportation needs. We maintain that position today.

That's it. Thanks for opportunity. We really appreciate it.

ASSEMBLYWOMAN STENDER: Thank you very much.

Are there any questions? (no response)

Thank you very much for your testimony.

We'll call up Abigail Field, from New Jersey PIRG.

ABIGAIL CAPLOVITZ FIELD: Hi, Chairwoman and Committee.

ASSEMBLYWOMAN STENDER: Good afternoon.

MS. CAPLOVITZ FIELD: I thank you very much for this opportunity to testify. And I apologize. I had a printer problem this morning, so I don't have written copies, but I will send them to the Committee.

I don't want to simply reiterate all of the concerns that have already been raised, although we second many of them. New Jersey PIRG approaches this issue somewhere in between the Regional Plan Association and the outright opposition you have already heard. We are willing to believe that in theory there is a way to do this kind of a deal that will protect and advance the public interest. We are very deep skeptics that such an arrangement can, in fact, be found that would be marketable. And, in fact, we have not seen one on the books yet that we would support. We think the deals in Indiana and Chicago, for example, were really terrible for the citizens of those states. And we would be loath to see something like that considered here in New Jersey.

Our concerns have -- come in several types. I'm not going to go through each one in detail, again because many of the issues were raised. But the basic ideas are: any deal must guarantee public participation and transparency in the deal-making process, it has to preserve public control of transportation planning and management. You've heard about the noncompete clauses -- I don't need to get into that further. You've heard about the risks of who controls widening or narrowing of the toll road itself, or exits being put on or closed. Another condition is that an acceptable deal has to ensure high safety and maintenance standards, as well as maximizing fiscal responsibility.

High safety maintenance standards, based on today's reality, could be written into contract. The problem is with the length of these deals. You know, the Chicago deal is 99 years. The Indiana deal was 75 years. Let's put that in context. Ninety-nine years ago, Ford introduced the Model T. Fifty years ago the Interstate Highway System was created by Congress. We don't think it's possible for even the most astute negotiators, and lawyers, and transportation planners to reasonably foresee New Jersey's transportation needs on that kind of a time frame. So we don't think you can negotiate out in a contract all of the correct allocations of risk, or how to deal with these systems effectively.

And we think there's only two ways that a deal could resolve that issue. One is, you do a shorter deal. I mean, you just don't go there. The second -- and we think that this would be essential-- And I'm going a little long on this because nobody else really focused on it -- is, you have to give New Jersey a meaningful out on a regular basis. Maybe every five years, New Jersey has the ability to walk away. Maybe they're in for 10 years, and then it's every five years. But if New Jersey cannot get out of a deal negotiated today, when some new invention has happened, or some new realignment of transportation has occurred, or development pattern in New Jersey has happened that makes our current thinking obsolete, then New Jersey is in a lot of trouble. So we urge you not to do any deal that locks New Jersey in for these time frames without a meaningful way out. And I say *meaningful* meaning: You don't want this to be like a mortgage with a huge prepayment penalty. It's not a meaningful way out if the cost of exercising an option is prohibitive. So please keep in mind that even the wisest among us can't foresee all the potential problems in that sort of a time frame.

Another issue which has been raised is the -- is, where do the proceeds go? I'd like to emphasize New Jersey PIRG also supports, first and foremost, all the money would have to go into transportation. We're losing a funding source for transportation. We would be losing it for a long period of time. You can't make that up simply by paying down debt. You first have to figure out how to fund your transportation network. Then, paying down debt, if there is anything left, would be an appropriate purpose for extra money.

Another couple of slightly more detailed points: We're concerned about -- and perhaps I shouldn't even say this. But we're a little concerned about the potential timing pressures of a deal because of the State's financial crisis. We'd simply like to point out -- and, again, this may be superfluous to say -- but it's impossible to negotiate from strength if you can't walk away from the deal. So New Jersey really can't count on its chickens before they've hatched. And revenues cannot be anticipated, or budgeted, or planned for in any way until you know that the deal is done; otherwise, you're negotiating from weakness. And because these deals are so complicated, we assume that today's hearing is the beginning of a very long process that would occur in a very transparent and -- *leisurely* isn't the word I want -- but thorough process. And that does take time.

The other thing that I'd just like to emphasize -- and it's been raised in a few ways. The risks are huge that we see, whether it's the loss of public control over transportation planning, or development along the highway, whether it's the risk of price gouging through toll hikes. What are the benefits? And I say this quite sincerely: I've only heard of two kinds of benefits from one of these deals, and it seems to me that neither is linked to privatization, per se.

One benefit is the huge influx of cash. But that's not linked to who owns the road or who controls the road. That's linked to a guaranteed predictable revenue stream. If the State of New Jersey wants to, either on its own or allow the Authority to, securitize a series of toll increases, it can do it. You've heard that before. I mean, there's absolutely nothing necessary about privatizing in order to get a lump sum of cash up front. The trick is the toll increases, or development rights, or whatever it is about the assets of the Turnpike. And I'm not, by the way, advocating that you do this. I just want to separate out the rhetoric around privatization.

So we haven't heard anyone tell us why privatization, per se, offers an advantage when it comes to this, especially given that public entities have lower costs of capital. So just up-front, I don't think that that's an argument for privatization, per se.

The second one is simply the concept of efficiencies. And as you've heard, the road is so well run and efficient, and you've heard about -- perhaps the public interest and the private interest intrinsically diverge, and so there's risks there. And we second all of that. I'd just like to give you a minor example of one that already appeared in Indiana. And given how young that is, that's sort of amazing.

Indiana's management started blocking with barriers. You couldn't pass through the turn-arounds on the Toll Road. And they did this because they didn't want motorists to evade tolls by going down and turning around. This doesn't, on the face of it, sound particularly dangerous or anything -- a little bit obnoxious, but not too bad -- except if you're an emergency person who -- whether you're police, or fire, or ambulance -- needs those turn-arounds. And so when that community started raising a ruckus, the management said, "Oh, well, we should put ones you could drive over." And my simple point is, nobody thought about that when they were writing the contract. It never occurred to them that that would be a risk. And it's a very clear divergence of the public and private interest.

So, again, we caution the optimists who think that we can anticipate everything. We underscore your concerns about the divergence of interests, and we question what the upside is in terms of privatization per se. And we encourage you to continue examining all of your options, going forward, and to proceed in a very deliberative and thorough manner.

With that, I'm happy to take any questions.

ASSEMBLYMAN WISNIEWSKI: Thank you.

Any questions?

Assemblywoman Stender.

ASSEMBLYWOMAN STENDER: So, Abigail, I think what you're -- you and I have talked about this before. What you're basically saying is that if our goal is to achieve the revenue stream from this deal, that, in fact, the State of New Jersey could just -- we could just do it ourselves without having to go to Wall Street for it.

MS. CAPLOVITZ FIELD: No. It's my understanding the State of New Jersey could go to Wall Street itself. It doesn't need a private entity to go to Wall Street and then pay it for it. You see, what you need is to offer Wall Street something. And what is it that they want? They don't-- Wall Street doesn't care that it's a private entity that's coming to them and saying, "Here's my 20 years of toll increases," or, "Here's my expected rate of return on the advertising I'm going to be allowed to put on poles." I mean, whatever the revenue stream is that the State would decide, we would want to create in the future--

Wall Street just says, "Well, is it predictable? Is it a sufficient enough revenue stream to pay me back at the interest rate that they're claiming to offer with these bonds? What's the risk? Should I make the investment?" They don't sit there and go, "Oh well, you know, it's an Australian company. We'd much rather deal with them, intrinsically because they're an Australian company."

And so all I'm saying is that if New Jersey wanted to find a way to monetize the Turnpike, it doesn't need to go to a private entity to do it. It needs to decide, does it want to guarantee some form of future increased revenue or not? And if it does, how much increased revenue? And then it has to guarantee that in some form of contract. The State could make a contract with the Authority, or whatever. Wall Street just needs to know what's happening. And then they can make their investment decisions.

ASSEMBLYWOMAN STENDER: Thank you.

ASSEMBLYMAN WISNIEWSKI: Assemblywoman Beck.

ASSEMBLYWOMAN BECK: Just one quick--

Excellent testimony.

MS. CAPLOVITZ FIELD: Thank you.

ASSEMBLYWOMAN BECK: We appreciate that.

Your one point about having a way out--

MS. CAPLOVITZ FIELD: Yes.

ASSEMBLYWOMAN BECK: I think, as a Committee, we probably really need to think through that. Because imagine that we get $20 billion up front and, obviously, have plans to spend it. And then, 10 years in, we figure out this is a horrible thing and want to get out. Well, I assume we have to pay back some of that $20 billion, or whatever it is, which again digs the hole a little bit deeper. So I think that was an excellent point.

One of the things I wanted to ask you about, that you didn't bring up, was the Smart Growth principles. And our current Highway Authority and DOT leadership -- does think through Smart Growth principles as they're developing an infrastructure plan. And, to me, I'm thinking a private company really could give a hoot whether or not they're complying with Smart Growth or not.

MS. CAPLOVITZ FIELD: We fully share your concerns about how development decisions would get made, and who would make them, and what kind of oversight and accountability-- We think the potential loss of public control over those decisions is one of the most frightening risks out there. And I do have a paper I will send all of you, where we list some of these concerns in more detail. We don't specifically mention Smart Growth, but that would be an example of the kind of planning that we would be very worried would be abandoned by the wayside.

I mean, to be very fair to the concept, you could put into the contract that all development would be done in such and such a way. But, again, then you just start running the hubristic risk of assuming you've put everything in the contract the way you need to, and that there is nothing you haven't forgotten, and that nothing is really going to significantly change over the life of the contract that suddenly renders our present-day analysis wrong. And given the length of these deals, I find that-- And, again, even little things -- how do you even know to put them in, like this blocking of the turn-arounds? So I just think people need to be very, very careful in this.

ASSEMBLYWOMAN BECK: That's to our Chairman's point, which is, 75 years out, how does this Committee -- as intelligent, I'm sure, as we all are -- how do we anticipate all of that? It's impossible, even if we do a hundred hearings between now and the end of the year. I still think we're, at the end of the day, not going to be able to figure it all out.

Thank you.

ASSEMBLYMAN WISNIEWSKI: That's too many hearings -- a hundred. (laughter)

Let me just conclude, Abigail, by thanking you for your testimony. I think you hit upon one of the fundamental issues that I continue to have a problem with in trying to embrace this concept, which is just the sheer length of time. The Chicago deal is 99 years. And you can say 99 years and think you understand it. But it is such a huge period of time.

To give you an example, 89 years ago there was a captain in the Army who was given the task of taking a convoy of men and material across the country. And when he later became President, he used that experience -- President Eisenhower -- to be the basis of the Interstate Highway System. Eighty-nine years ago, there were very few paved roads between Illinois and San Francisco. As a matter of fact, his journal says it was one series of ruts and broken bridges.

Now imagine, if you will, 89 years ago -- which is less than the length of the Chicago deal -- that we to have securitized whatever transportation infrastructure we had at that time, and we were to write -- we were to get all of the best lawyers, and all of the best engineers, and all of the best financial people in a room. They probably would have put together a comprehensive agreement that allowed for a gas station maybe every 50 miles, because there weren't that many gasoline-powered cars; probably an occasional watering trough, because there were still some horses; bridges would not be able to withstand the weights of trucks today.

And the fundamental concern that I have with this deal is that you need to be able to rationally look at yourself in the mirror and say, "I've anticipated what's going to happen in the State of New Jersey in the next 99, 75, 50 years." And I'm not sure that-- If you look at the Department of Transportation, they have a five-year capital plan. And the five-year capital plan is a rough approximation as to where the dollars will get spent over the next five years. But if you were to make that a 25-year capital plan, I think everybody who is familiar with it would say that it's nothing more than just a guess. And now, what this deal calls for is essentially a 75-year capital plan. And I'm not sure how we do that and say to our constituents who send us here that, "We have protected your best interests for 75 years."

The other point is just one of transparency. I am very concerned that any proposals be absolutely transparent. If you look at the Indiana experience, there was a deal on the table and there was a vote 10 days later. You can't grasp, understand, analyze a deal of this magnitude in 10 days. So there has to be transparency. And that's why I've asked the State Treasurer and the Commissioner of Transportation to provide to this Committee copies of all of the reports, the assessments that they've gotten, the analysis they may have gotten. But not only that, copies of any of the

RFPs that they may have put out to procure these services, copies of any contracts they may have entered into to procure these services.

This Committee needs to know. For instance, UBS has prepared a Phase 1 report on asset evaluation. What does UBS stand to gain should this deal go ahead? What do other people stand to gain should this deal go ahead? These are questions that, as important as all the questions we've talked about today are, these are equally important, because they go to the integrity of the deal. And this Committee needs to have the answers.

We've invited the Treasurer and we've invited the Commissioner to testify at our next hearing, which is on February 26. It will be in Trenton. And for those of you who have not gotten an opportunity to testify, and you have something you want to add at that hearing, we certainly welcome the testimony.

And until that time, if there are no comments from the Committee, we'll stand adjourned.

Oh, I'm sorry, I just wanted to also, for the record-- We have a couple of e-mails. We have-- Ray Neveil, Citizens Against Tolls, sent us an e-mail. He could not be here, but he is opposed to any potential monetization or sale of the Turnpike. Mark Wismer, Safety Director of Marine Transport, Inc., has also sent an e-mail expressing his opposition. And James Padykula has also sent an e-mail opposing the possible sale of the toll road.

And I think there are some members who have closing comments.

Assemblyman Johnson.

ASSEMBLYMAN JOHNSON: Thank you, Chairman.

I've listened to the testimony today, and the comments, and the dialogue that went back and forth. I have some real concerns about this privatization idea, scheme. I believe that government has certain responsibilities, such as public safety, such as education, such as health care, and also the responsibility for transportation. And I don't see, and I cannot see, how you could turn over a highway, such as the New Jersey Turnpike and the Garden State Parkway, to a for-profit venture and expect the quality of services -- level of service to remain the same. I've also heard that if New Jersey was not in the situation it's in fiscally, with this $50 billion or $100 billion debt, we wouldn't be discussing this today.

So I'm not sure that this is the proper way to go. I'm definitely not convinced this is the proper way to go. And I'm just willing to take -- to hear more testimony and see where we're going with this.

Another point, brought out by Assemblywoman Beck, about Exit 8A, where -- would a for-profit venture improve an exit when it's not going to bring them any more money? It will improve the lives of those using the highway, but would it improve -- but it will not bring any more funds. So why would they-- What would be the incentive to do that, for a for-profit venture.

And these are questions that have not been answered and definitely concern me.

So, thank you, Mr. Chairman.

ASSEMBLYMAN WISNIEWSKI: Thank you.

Assemblyman Prieto.

ASSEMBLYMAN PRIETO: Thank you, Chairman. I want to thank you for your leadership in bringing this forward to make it transparent.

We're going to be making decisions on something that's not going to affect just our lives, or the employees who work there, but the whole state. And we're talking about generations to come down -- with so many years of these deals that we're talking about.

Assemblywoman Beck brought up a perfect point about Smart Growth -- that we have to keep that in mind. There are so many things that we need to look at. Because when we write legislation, we normally try to look into the future, and we normally adjust it, as we said. But these kind of small things that were brought forward-- We're basically not just predicting the future; some times we're assuming things that are going to be. As with the history of a hundred years ago -- where we were, as we are today -- it's almost impossible.

So I thank you so much; and especially for holding the first one up here in Hudson County, which actually -- Secaucus, I believe-- We have about five, from 15X, 16E, 18E, 17. And also in Hudson County, we have a few more: 14A, B, and C. So I thank you so much. It's very important to us.

Thank you.

ASSEMBLYMAN WISNIEWSKI: Thank you, Assemblyman.

Assemblyman Bodine.

ASSEMBLYMAN BODINE: Thank you, Mr. Chairman.

Very informative meeting. And I look forward to the other meetings.

Just to substantiate your 89 years, and another facet of progress. Sixty-one years ago, the computer was invented at the University of Pennsylvania, the ENIAC, the Electronic Numeric Integrated Accounting Computer. They identified no more than five users for a computer. And here we are today, with your computer sitting there, and ours sitting here. The Chairman is absolutely right. We have no idea of technology that's going to be taking place over the next five years, let alone 50 years or whatever.

But anyway, it's been a very informative meeting. I look forward to the other meetings.

And thank you, Mr. Chairman.

ASSEMBLYMAN WISNIEWSKI: Thank you, Assemblyman.

Assemblywoman Beck.

ASSEMBLYWOMAN BECK: Just, again, thank you for your leadership. I appreciate you having this forum and look forward to learning more. There's a lot more to learn.

Thank you.

ASSEMBLYMAN WISNIEWSKI: Thank you, Assemblywoman.

A concluding comment by our Vice Chairwoman, Assemblywoman Stender.

ASSEMBLYWOMAN STENDER: Thank you, Mr. Chairman.

I think, as I said earlier, certainly the issue for all of us is making sure that we protect the service to our residents. That's our commodity that we have a public obligation to protect.

And I would end by this: This is certainly a money deal. There's a lot of money to be made in this deal. And I-- What concerns me is that primarily we heard from people who are concerned about how that money is going to move, and who benefits and who doesn't. And I hope that in addition to the Treasurer, and to the Commissioner of Transportation, that we're going to hear perhaps from UBS, the Wall Street people, the Goldman Sachs of the world -- of what exactly is their benefit, and how that's going to impact us in our ability of providing service to the people of the State of New Jersey.

And I want to thank you, Mr. Chairman, for putting these hearings together. Because it certainly is part of the public service needs for all of us; and I appreciate that, as your Vice Chair.

ASSEMBLYMAN WISNIEWSKI: Thank you, Assemblywoman.

And thank you all for participating today.

We will stand adjourned until the 26th.

(MEETING CONCLUDED)