
Committee Meeting

of

ASSEMBLY TRANSPORTATION, PUBLIC WORKS, AND INDEPENDENT AUTHORITIES COMMITTEE

*"Testimony on the findings and recommendations of the
New Jersey Privatization Task Force regarding the privatization
of various transportation services in the State of New Jersey"*

LOCATION: Committee Room 11
State House Annex
Trenton, New Jersey

DATE: September 16, 2010
10:00 a.m.

MEMBERS OF COMMITTEE PRESENT:

Assemblyman John S. Wisniewski, Chair
Assemblywoman Linda Stender, Vice Chair
Assemblyman Charles S. Mainor
Assemblyman Matthew W. Milam
Assemblyman Vincent Prieto
Assemblywoman Caridad Rodriguez
Assemblywoman Connie Wagner
Assemblywoman Bonnie Watson Coleman
Assemblyman John F. Amodio
Assemblyman Scott Rudder
Assemblyman Scott T. Rumana
Assemblyman Brian E. Rumpf



ALSO PRESENT:

Maureen McMahan
*Office of Legislative Services
Committee Aide*

Aaron Binder
*Assembly Majority
Committee Aide*

Glen Beebe
*Assembly Republican
Committee Aide*

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Meeting Transcribed by
The Office of Legislative Services, Public Information Office,
Hearing Unit, State House Annex, PO 068, Trenton, New Jersey

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ASSEMBLYMAN JOHN S. WISNIEWSKI (Chair): We are here today to take testimony from a variety of individuals with regard to the report prepared by the New Jersey Privatization Task Force, in particular the issues that are raised -- the issues that are discussed in that report as they pertain to transportation. But I am sure that there are other questions that will be raised by members of the Committee.

We will do a roll call of the members.

What I would ask, just for housekeeping details-- I'd like to advise everybody that our proceedings today are going to be broadcast on the internet. And so what you say intentionally or otherwise into the microphones will be heard by lots of people outside this room. If you have a cell phone, or pager, or other electronic device -- if you could at least switch it to vibrate, because there are some really interesting ring tones out there and I'm not sure we all want to hear them.

And with that, I will ask Maureen to take the roll.

MS. McMAHON (Committee Aide): Assemblyman Rumpf.

ASSEMBLYMAN RUMPF: Here.

MS. McMAHON: Assemblyman Rumana.

ASSEMBLYMAN RUMANA: Here.

MS. McMAHON: Assemblyman Rudder.

ASSEMBLYMAN RUDDER: Here.

MS. McMAHON: Assemblyman Amodeo.

ASSEMBLYMAN AMODEO: Here.

MS. McMAHON: Assemblywoman Wagner.

ASSEMBLYWOMAN WAGNER: Here.

MS. McMAHON: Assemblywoman Rodriguez.

ASSEMBLYWOMAN RODRIGUEZ: Here.

MS. McMAHON: Assemblyman Prieto.

ASSEMBLYMAN PRIETO: Here.

MS. McMAHON: Assemblyman Milam.

ASSEMBLYMAN MILAM: Here.

MS. McMAHON: Assemblyman Mainor.

ASSEMBLYMAN MAINOR: Here.

MS. McMAHON: Assemblywoman Watson Coleman.

ASSEMBLYWOMAN WATSON COLEMAN: Here.

MS. McMAHON: Vice Chair Stender.

ASSEMBLYWOMAN STENDER: Here.

MS. McMAHON: Chairman Wisniewski.

ASSEMBLYMAN WISNIEWSKI: Here.

We have one substitute today. We have Assemblywoman Bonnie Watson Coleman joining us.

Good morning, Assemblywoman.

ASSEMBLYWOMAN WATSON COLEMAN: Good morning.

Thank you, Mr. Chairman, for having me.

ASSEMBLYMAN WISNIEWSKI: If you wish to testify, there are slips on the table to the left of the door. I'd appreciate it if you'd fill one out and give it to one of the Committee Aides. If you have written testimony, we'd appreciate copies of that. And if you are testifying, to the extent that you can paraphrase your testimony and not read word-for-word, that would be great. Because we have well over a dozen individuals who wish to testify, and it would just save -- for time. But my intention is to

give everybody here who has signed up and wishes to testify an opportunity to let us know what they think. And I've asked our two principal witnesses if they would stay around subsequent to their testimony so that they might be available for follow-up.

I just wanted to say at the outset, privatization is an issue that seems to come and go in cycles. There are points in time where it's talked about a lot, and then there are periods of time where it seems to fade into the background. But it is always somewhere just slightly below the surface in the discussions of government. It tends to come out more frequently when economic circumstances are tougher and budget conditions are not as robust.

But I think a good way to start off this hearing is to refer to the quote by that notable Republican President Abraham Lincoln who said, "The legitimate object of government is to do for a community of people whatever they need to have done but cannot do at all, or cannot do so well, for themselves in their separate and individual capacities."

And so with that as the frame, the issue of privatization is really somewhat of an existential question about government itself. If you-- Where do you go? How far do you privatize? There are a whole bunch of proposals in this report about privatizing a variety of functions. But one could argue that there is no limit to what you can privatize. Can you privatize cabinet offices? Can you privatize administrations and entire departments? At some point there is a loss of control, there's a loss of accountability that's probably one of the most important aspects of an elected representative government where tax dollars are used to provide

services. But there's an accountability, ultimately through elections, that may not exist in a privatization context.

We have with us today former Congressman Richard Zimmer, who chaired the Privatization Task Force; and our Commissioner of the New Jersey Department of Transportation, Jim Simpson. This is his first appearance before the Assembly Transportation Committee.

Gentlemen, welcome to you both. I will let each of you decide -- I don't know if you want to arm wrestle for it or toss a coin -- who goes first.

F O R M E R C O N G R E S S M A N D I C K Z I M M E R:
Thank you very much, Mr. Chairman, members of the Committee.

My name is Dick Zimmer. I was the Chairman of the New Jersey Privatization Task Force. I welcome this opportunity to discuss our recommendations with you.

The Chairman began with a quotation from an outstanding Republican, Abraham Lincoln. I'd like to begin with a quotation from an outstanding Liberal Democrat, Mario Cuomo, who said, "It is not government's obligation to provide services, but to see that they are provided." And that was the thinking that motivated our Task Force, which was instructed by Governor Christie to comprehensively review opportunities for privatization throughout State government. We met with most of the Cabinet. We met with the leadership of the State's transportation authorities, and many other stakeholders, practitioners, and experts. We heard extensively from the state's employee unions, and held three public hearings around the state.

After analyzing all this input, the Task Force concluded that through sensible planning and implementation, privatization offers a variety of benefits, including lower costs, improvements in the quality of public services, and access to private-sector capital and professional expertise. We recommended 40 privatization initiatives that would result in annual savings of more than \$200 million a year. Many of the most promising of these opportunities are related to transportation. I'd be happy to answer your question about any of our individual recommendations relating to transportation or otherwise.

We also proposed the enactment of broad and flexible legislation authorizing public-private partnerships, or P3s, for the development and operation of infrastructure projects; and urged the creation of a State advisory body to oversee P3s modeled after California's Public Infrastructure Advisory Commission.

The Chairman mentioned cycles of interest in privatization. I believe you were in your first term, Mr. Chairman, when the Assembly unanimously passed pilot legislation authorizing P3s.

As you know, beginning July 1 of next year, every cent paid into the Transportation Trust Fund from gasoline taxes and all other sources for the following 31 years will go to pay off the debt for projects already completed. Whether or not you believe that the state needs a higher gasoline tax, as the Chairman does, or that we should move to the pay-as-you-go system, as the Governor does, public-private partnerships have got to be considered as part of the solution to our enormous transportation funding challenge because they provide necessary capital,

they can reduce costs, and they provide for innovative ways of accomplishing our objectives.

Although we are all familiar with the high-profile failures of privatization, I respectfully disagree with the Chairman's recent statement that most privatization of transportation services have gone terribly awry. In fact, our Task Force found that the successes far outnumber the failures. A national model for public-private partnerships is New Jersey's Hudson-Bergen Light Rail Line, owned by NJ TRANSIT. The project was funded by the State and Federal governments. It was developed through the award of what's called a *DBOM* -- that's design, build, operate, and maintain -- contract to an engineering and construction consulting firm which agreed to deliver a fleet of vehicles, a guaranteed completion date, and 15 years of operation and maintenance of the system for a fixed price. The Light Rail Line commenced operation in 2000, years earlier than would have been possible under standard bidding procedures. The project has met or exceeded its objectives, and the contract with the vendor has been extended. The Light Rail Line has been a catalyst for both residential and commercial development along the route and has played a significant role in the revitalization of Hudson County.

Another high-profile privatization program is the Atlantic City International Airport, operated by a private contractor from the South Jersey Transportation Authority. The operation of this Airport, through this successful initiative, has allowed for unprecedented growth which serves as a key economic driver for the southern New Jersey region. And we just learned that the most recent passenger traffic statistics are higher than they've been in the history of Atlantic City Airport.

Public-private partnerships built the Ferry Terminal in Weehawken and implemented Smart Highways instrumentation of Route 80. Both of those programs were done under the pilot P3 legislation that passed the Legislature in 1997.

The New Jersey Turnpike Authority has fully privatized all service areas along the Turnpike and the Garden State Parkway.

At the Department of Transportation, all line striping, bridge painting, guide rail work, and resurfacing has been outsourced.

Despite these successes, we are acutely aware that not all of New Jersey's experiences with privatization have been successes. And rather than trying to ignore or put the best face on past failures, we confronted them directly. That's why we invited the State Inspector General, the State Comptroller, and the Executive Director of the SCI to our first public hearing to testify about the failed privatization efforts investigated by their offices. They told the Task Force about the lessons they learned from failures in the privatizations involving E-ZPass, EnCap, schools construction, motor vehicle inspections, tax collections, inmate health services, and municipal utilities.

These failures, we learned, have much in common. They were poorly conceived at the start, goals were not clearly articulated, due diligence was superficial, contractors were inexperienced or undercapitalized, and government oversight was lax or nonexistent. In extreme cases, government officials had clear conflicts of interest and engaged in official misconduct.

You should know that none of these government watchdogs advised us that privatization is inherently a bad idea -- only that it must be

carefully undertaken and strictly monitored. The Chairman made a valid point that you should be careful not to lose control of accountability. Our recommendations include proposals to assure that elected officials, who are accountable to the people, maintain control and accountability.

New Jersey's privatization experience, both its successes and its failures, informed the recommendations made by our Task Force, including our recommendation that the Governor designate a centralized entity to manage the privatization process and assure the application of best practices in project selection and contracting.

Privatization is not the province of a single ideology or political party. It's, rather, a pragmatic way to respond to major challenges. And I quoted Governor Cuomo; another great Democrat, Mayor Richard Daley of Chicago, has privatized more than 40 city services and, since 2005, generated more than \$3 billion in up-front payments from private-sector leases of city assets, including Chicago Skyway toll road and several parking assets.

While serving as Mayor of Philadelphia, current Pennsylvania Governor Ed Rendell saved \$275 million by privatizing 49 city services. And in his last year as Governor, Governor Rendell has agreed with Governor Christie to establish the public-private partnership to rebuild the Scudder Falls Bridge, five miles north of here, at an estimated cost of \$310 million.

Last year, in New York, the Commission on State Asset Maximization appointed by Governor David Paterson and chaired by former State Comptroller Carl McCall recommended that public-private partnerships undertake a wide array of transportation projects, including

the building and renovation of bridges, the construction of high-speed rail lines, and highway maintenance.

Further evidence of the nonpartisan nature of privatization is the fact that the legislation I previously alluded to for a public-private partnership pilot program for New Jersey passed the Assembly in 1997 by a unanimous vote, with only two dissenting votes in the State Senate. Just this week, Senate President Steve Sweeney introduced a bill to help implement our Task Force's recommendation that the New Jersey Turnpike Authority enter into a contract for private toll takers to achieve an estimated savings of \$35 million a year.

Leaders across the political spectrum have embraced privatization because it introduces competition in the delivery of public services and challenges public monopolies. Implemented properly, competition drives down costs and creates incentives for performance and results. In well-structured outsourcing initiatives, contractors have strong incentives to deliver on performance. A public agency exposed to competition for the first time might be spurred to improve its own performance. Introducing competition helps managers determine their true costs; and promotes innovation, efficiency and greater effectiveness in serving customers' shifting demands.

I urge this Committee to seriously consider our Task Force's recommendations and the pragmatic philosophy that gave rise to them.

Thank you.

ASSEMBLYMAN WISNIEWSKI: Thank you very much.

What I will do, Commissioner, is allow you to make your statement, and I think you'll both be in for a little bit of questioning from members of the Committee.

COMMISSIONER JAMES S. SIMPSON: Great.

Good morning, Chairman Wisniewski and members of the Committee. It truly is an honor to be here today -- my first hearing before this Committee. It's also still an honor to serve as your Transportation Commissioner. It's been a very difficult eight months with the issues facing our great Garden State.

I appreciate the opportunity to discuss the DOT's thoughts on privatization. Our mission, and all of transportation and all of our agency's, is to really -- simply, in a nutshell -- to maintain a safe, reliable, and efficient transportation network.

Privatization is not a panacea, but privatization is one tool used to maximize savings, improve quality, and provide better value for taxpayers. I don't think anybody would argue that any organization, if it's going to maintain competitive and if it's going to stay in existence and not become obsolete, has to invent itself and reinvent itself. And privatization allows that to happen. Once again, it's a tool that we use.

And as we move forward, the Department will continue to consider privatization and the formation of public-private partnerships when appropriate. But before any decisions are made, we intend to get input from all the stakeholders, including the unions and the workforce. Dialogue and good communications between all the stakeholders are a key component of the process.

The Department's history of privatization has largely been related to using outside contractors and consultants to supplement in-house activities. It's nothing new. It's old wine in a new bottle. We've been doing it for years, particularly when staffing levels are insufficient to provide a suitable level of service or you need expertise in a given area.

NJ TRANSIT has already undertaken-- I don't want to go into the-- I don't want to enumerate the DOT's privatization initiatives. The Congressman did that eloquently. But there are some other things that New Jersey DOT has done -- excuse me, NJ TRANSIT has done and is doing that I think are worth noting. NJ TRANSIT has already undertaken numerous privatization projects that have delivered services at savings to the public. Let me mention the major ones. And it's not just cost considerations, it's an elevation of service. It's really: What is your value proposition? Price is what you pay for something, and value is what you receive in return.

We have a couple of projects that would not have gotten built without PPPs: the Morristown Transit Village, which includes a new parking deck built with private funds. Parking decks were also built by private developers to serve the Trenton, Hamilton, and Metro Park stations. The River Line and Hudson-Bergen Line -- Light Rail Line were built under design, build, operate, and maintain contracts that streamlined project delivery and reduced capital outlays.

And I think it's important to note for the Committee that I had served-- I was the administrator of the Federal Transit Administration in Washington. And the United States -- that has been a leader in everything else -- is so far behind the rest of the world in public-private partnerships.

And we invented public-private partnerships over 100 years ago, but we've sort of forgotten about them. The rest of the world is light years ahead of us.

Five years ago in Washington we started two programs: a joint development program that allowed -- the Federal government allowed the kinds of projects that were built by NJ TRANSIT -- joint developments between private developers and a public agency. And there was a program called the Penta-P, Public-Private Partnership Pilot Program. For the first time, the Federal government had allowed projects to be built in the format that we're proposing for the State of New Jersey as well. And they've been very successful around the country.

NJ TRANSIT has also contracted, for years, with private bus carriers to operate bus routes that would be too expensive for New Jersey to handle. I don't know whether this Committee knows it or not, but we've got two kinds of public-private partnerships that have been going on very successfully for years. One is the case where we give buses to a private operator and they provide everything else, and they collect a fee. In other cases, we provide the bus and they provide services. It's been working really well, and it's a good complement to the public sector, and it promotes competition between the two entities. It's like anything else. If you were going to have a service provided for yourself, what's the first thing you do? You don't have the first supplier give you an estimate, and you say okay. You look at another supplier, you look at another estimate to sort of balance everything, not just cost. And that's what we propose to do here.

NJ TRANSIT also has contracts with private companies for maintenance on the Atlantic City Rail Line, and the Secaucus Junction, and

the Newark Penn Station. It also has many leases with private retailers that generate revenue and provide a variety of products and services for passengers using our stations and terminals. The examples I have mentioned are success stories. There can be many more in the future if we allow and enhance public-private partnerships.

Governor Christie created the New Jersey Privatization Task Force and directed it to undertake a fair and independent evaluation of new opportunities to achieve cost savings and deliver better value, deliver projects in a more timely manner, and take advantage of the private sector's expertise and spirit of innovation.

Just because we do a public-private partnership doesn't automatically mean that we're going to throw out the existing workforce and bring in a new workforce. It doesn't mean that at all. The Task Force has had recommendations months ago that were no-brainers for the DOT, which I'd be more than happy to talk about as we have this hearing today, that could save \$13 million -- which is not a lot of money in the overall scheme of things, but it just tells you that things like this, that seem to be no-brainers, are the kinds of things we need to focus on.

The Task Force also has recommendations for many of our sister agencies. It urged the New Jersey Turnpike Authority and the South Jersey Transportation Authority, as well as the New Jersey DOT, to use performance-based highway maintenance contracts which are being done elsewhere in the country -- in Florida and Virginia, but not here. It's something worth looking at.

It's also asked the SJTA to consider advertising and naming rights as a shift from cashless tolls; and going to an all-electronic toll, which

is really a change in technology, not privatization. And in a couple of weeks, the South Jersey Transportation Authority will go out for an RFP to privatize our part-time toll collectors. Now, you'll say, "Why would you want to do that?" It's because the core mission of the South Jersey Transportation Authority is not to be in the human resource business. And the cost and the aggravation to have a rotating workforce of part-time workers is best handled by a company that does that. So we're outsourcing something that's not our core competency, if it moves forward.

Finally, the Task Force has recommended that NJ TRANSIT privatize parking facilities, bus facilities, and bus routes.

With that synopsis, Mr. Chairman, I'd be happy to answer any questions.

Thank you.

ASSEMBLYMAN WISNIEWSKI: Thank you, Commissioner. I appreciate you taking the time to be here today.

Congressman Zimmer.

One of the -- and I'll throw it out to both of you, and whoever wants to catch it can-- One of the conclusions, if you will, that the Privatization Task Force report supports-- It says that savings of \$200 million, approximately, can be achieved by implementing these proposals. And in this year's budget, effective July 1, 2010, there's \$50 million allocated as a cost-savings from the privatization, P3, whatever you want to call it, that's in this report.

Where are we at? We're a quarter into the fiscal year. Where is the State of New Jersey at in implementing any of those proposals? And

how much time is needed to implement them? Where do we achieve that savings?

COMMISSIONER SIMPSON: The budget is very complicated, and there are a lot of numbers in the budget. I can't recall them off the top of my head. I apologize. But these things are a little bit more -- they take a little bit more time than one would think.

But two items at the DOT that I can recall is the approximately \$10.5 million to \$12 million for our emergency service patrol. We're doing an evaluation right now. I can elaborate on the emergency service patrol. But basically we provide a road service, which does not include towing. It allows us the opportunity to change somebody's flat tire if they have a flat tire, give them a can of gas, and maybe jump the battery if their battery died. Typically, if we do anything, we're helping them with a flat tire.

Now, the service is not statewide, it's not 24/7, it's really not there when you need it with an exception of a small service area in South Jersey. There's no weekend coverage at all. And typically, as most of you know, our weekends are when we get the occasional traveler or the folks who aren't typically your experienced commuter. And the service doesn't cover the whole state. So we're giving a partial service. And at least half the time, if not more-- And the goal of this-- This is a Federal program. The goal of this program is to decrease the amount of time that a stranded vehicle is on the right-of-way, because of the potential for an accident and also for rubber-necking and congestion.

Well, what happens most of the time is, we get out there-- By the time we diagnose the problem when we get there-- As a matter of fact, I called for a vehicle myself. And after an hour, I couldn't get one. And I'm

the Commissioner of Transportation, and it was only 10 miles from Trenton. This was in the afternoon when there was service. So it's not a full-time service. But what happens is, you've got the vehicle along the side of the road. And the next thing you know, you need a tow truck anyway.

Our proposal is to take that money that's being used for this service-- And we're looking at a couple of things. One proposal is to just do away with it and make sure that we have -- and we do have a backup for it. Right now, when somebody breaks down, they either call roadside assistance, or they call 9-1-1, or they call the local police. And our State Police and our local police officers have phone numbers of towing companies that would pay for the tow, or if you have a car -- or you belong to a AAA or something like that, you're covered. So we're looking at (a) doing away with the service, letting the private sector handle it. That \$10.5 million to \$12 million a year goes toward asphalt.

The second proposal that we're looking at -- that's why these things take time -- is to maybe concentrate that program. Instead of having it scattered, and you don't have full coverage in the whole state, is to use it in your congested areas. We know the most -- and I'm not talking about the Turnpike and Parkway. We know the most congested interstate highways. Maybe concentrate the program, bring it in, run it in the most congested areas -- Newark, Trenton areas -- and have it 24/7, or have it there when people need it on weekends. So we're looking at that alternative.

We're also looking at a public-private partnership where, maybe if you had that scenario, you might be able to reduce costs because you're concentrating it and using less forces, but you're more effective overall in

the state. It's sort of like fishing. You want to fish where the fish are. We've got these tow trucks going all -- not tow trucks, these service vehicles going around the state, and there's not even any traffic in certain areas. So if we can concentrate it to sort of where the vehicles are, that would help.

Also, we're looking at maybe having it co-opted with a private company like an insurance company or any company that wants to have their name on the side of the trucks. It's being done in other states for several million. So that would be a possibility for us to reduce the cost. Give this service where it's needed, focus it, and then put whatever balance would be left into asphalt. But we're not going to keep the program where it is.

So those are the two alternatives, Mr. Chairman, that we're looking at right now. We don't have an answer for you yet, but we should have one very soon.

ASSEMBLYMAN WISNIEWSKI: Just as a follow-up -- mentioned it's a Federal program. So there is obviously some type of Federal match.

COMMISSIONER SIMPSON: Typically our match is 20 percent, but we don't really have to worry about the match. We have so many toll credits and things. But you could say yes, there's a 20 percent Federal match on that.

ASSEMBLYMAN WISNIEWSKI: So the Federal government gives us 20 percent.

COMMISSIONER SIMPSON: No, the Federal government gives us 80 percent.

ASSEMBLYMAN WISNIEWSKI: Eighty percent of the \$13 million.

COMMISSIONER SIMPSON: But our Federal dollars on this are-- I think the maximum is \$12 million, and I think we utilized \$10.5 million last year.

ASSEMBLYMAN WISNIEWSKI: So if we were to do away with this program, we would be doing away with a \$10 million Federal match?

COMMISSIONER SIMPSON: No, the Federal money could be used for other things. It's part of your formula funds from the Federal government so that you can take that money and flex it into asphalt, or pavement, or safety, or other things that are more vital -- more guide rails. It's part of the Federal Highway Aid Program.

ASSEMBLYMAN WISNIEWSKI: So we've made a decision to, instead of doing asphalt, to do service?

COMMISSIONER SIMPSON: Yes.

ASSEMBLYMAN WISNIEWSKI: I'd like to see that information if you can provide it.

COMMISSIONER SIMPSON: We'll get that information to the Committee.

ASSEMBLYMAN WISNIEWSKI: Assuming, hypothetically, that you would go ahead and do this, we're a quarter of the way into the budget year. So when does it get implemented?

COMMISSIONER SIMPSON: I can't give you an answer on that. I don't have an answer for you.

ASSEMBLYMAN WISNIEWSKI: Okay. I have just two follow-up questions for either of you, and then I'll open it up to members of the Committee.

Congressman, in your opening statement you seem to use, interchangeably, P3 and privatization. Do you view them synonymous or are there distinctions between them?

CONGRESSMAN ZIMMER: P3 is one kind of privatization. There are a whole range of activities that involve the private sector -- ranging from procurement of paperclips from a private vendor; to the more sophisticated and comprehensive design, finance, build, operate, and maintain projects that are represented by a P3.

I think it-- Privatization is a very broad term, and I think it is-- I emphasize P3s to point out one area of privatization where I think there should and has been a buy-in by major construction labor unions, by people across the political spectrum as a way of getting things done. So I'd say that they're not identical, but P3 is an important subcategory of privatization.

COMMISSIONER SIMPSON: Mr. Chairman, can I add on to that? It's basically three types: It's an asset type, where you would sell an asset that would belong to the State, let's say.

ASSEMBLYMAN WISNIEWSKI: You're talking about P3.

COMMISSIONER SIMPSON: The three types of privatization you'd have. You'd have asset. Then you'd have contracting services -- we're all familiar with. And then would be construction and operations, which would include the design, build, operate, and maintain,

finance and the like. So anytime you have the private sector involved you could call it P3.

ASSEMBLYMAN WISNIEWSKI: But you would agree that a public-private partnership has the word *public* in it--

COMMISSIONER SIMPSON: Yes.

ASSEMBLYMAN WISNIEWSKI: --whereas privatization is a little more--

CONGRESSMAN ZIMMER: Look, none of our proposals takes the public out of any of these projects.

ASSEMBLYMAN WISNIEWSKI: No, no, I'm not suggesting that. But there are different degrees of privatization. The least degree, perhaps -- in my mind at least -- would be a public-private partnership.

But along that line, my last question is that-- We've privatized some of the functions at DOT already, Commissioner. We have privatized, for instance, bridge inspections. Those are privatized to private engineering firms. And you're aware that there's a report out there -- I forget the exact name of it -- that has said that that can be done cheaper through State employees.

COMMISSIONER SIMPSON: Yes, I'm aware of that.

ASSEMBLYMAN WISNIEWSKI: So in not every case where you privatize a public function do you get a cheaper result. Would you agree?

COMMISSIONER SIMPSON: Let me put it to you this way. As the Commissioner of Transportation, I would -- even if I knew that, on paper, I could do it cheaper -- a bridge inspection in-house -- I wouldn't do it. Because the management and performance-appraisal process in this

State is broken. And I'm talking about -- somebody who was a former senior-level Federal official and someone who was an entrepreneur. You cannot manage the workforce the way the current work rules are in this State and at the DOT. Now, I'm not digging anybody in our Department. But until we can have real reform where you can hold people accountable and get rid of the deadwood, and take care of the good people, I would not, in any stretch of the imagination, look at that report and tomorrow say, "Let's go out and hire in-house people."

ASSEMBLYMAN WISNIEWSKI: You're saying that your workforce is unmanageable?

COMMISSIONER SIMPSON: I didn't say that. I said that the systems are in place so that to manage your people effectively is not there. You're stymied. You can't do it. Until you have real reform with the work rules and the--

ASSEMBLYMAN WISNIEWSKI: But you're talking about your current employees.

COMMISSIONER SIMPSON: Yes, I know that. I know that.

ASSEMBLYMAN WISNIEWSKI: That's astounding.

COMMISSIONER SIMPSON: Well, take a look at the appraisal process -- that you get pass/fail only. There are no degrees, there's no motivation for anybody to work extra hard.

ASSEMBLYMAN WISNIEWSKI: When you talk about *appraisal*, are you talking about appraisal of property or appraisal--

COMMISSIONER SIMPSON: Appraisal of employees.

ASSEMBLYMAN WISNIEWSKI: Of employees. This is a process that, as Commissioner, you manage.

COMMISSIONER SIMPSON: We're managing it. We're trying to manage it. It's a very difficult thing to manage in its current-- Even if the State of New Jersey just followed the Federal guidelines, you could make tremendous reforms; but we don't even have that kind of-- It's probably for another hearing. But I know of the report. And without reform, I would not recommend doing it.

The other thing is--

ASSEMBLYMAN WISNIEWSKI: So you would recommend spending more money for bridge inspection as opposed to doing it in-house and saving money?

COMMISSIONER SIMPSON: You can't, in the current workforce environment that you have, and with the current work rules that you have -- with bridge inspections that can go up and down, you don't have the flexibility to move people within the organization and around the organization. There are a bunch of work rules that make it very difficult. And the performance appraisal-- In other words, you could have a bridge inspector that does a really good job -- does a lot of bridges; and another inspector who is sort of mediocre, and you get pass/fail. So it's very hard to--

ASSEMBLYMAN WISNIEWSKI: But you have that same process now for your resident engineers who are ultimately responsible for overseeing the building of bridges. You're saying that process of evaluating the people who are managing our contracts doesn't work.

COMMISSIONER SIMPSON: No, I'm saying that there's-- Look, you've got really good people at the DOT. I don't want to take this down the wrong path. But there are tremendous opportunities for reform

and improvement within the work rules of the State of New Jersey to really effectively -- to manage the workforce. You really can't manage the workforce effectively.

ASSEMBLYMAN WISNIEWSKI: You're right. This is a hearing that is going to be a much longer hearing, I guess. Because what you've told me is that you can't manage the people who are overseeing the construction of infrastructure, as opposed to--

COMMISSIONER SIMPSON: I didn't say that.

ASSEMBLYMAN WISNIEWSKI: I mean, with all due respect, Commissioner, you did.

Assemblywoman, Vice Chair Stender.

ASSEMBLYWOMAN STENDER: Thank you, Mr. Chairman.

Good morning, gentlemen. Thank you for being here.

I do have a few questions about the -- especially as I reviewed the report. I felt like it was déjà vous all over again. Because after 20-some years of having the opportunity to serve publicly, it's very reminiscent to me of the reports I've seen over time about consolidation -- which basically says, "This can be done. There can be benefits, but we don't know exactly what the cost benefit will be." And that's my concern about this report.

Specifically, when you -- throughout there were references-- And you said there wasn't enough time, which I understand, as the Commission's job-- But the activity-based costing system, which is what the Federal government gives as a guideline, does not seem to have been employed. And I have real concerns about moving -- talking about anything that you can't really give us a cost-benefit analysis on. I mean, in terms of the opportunities, it's very generic what you've suggested out there. And I

believe that our only commodity is service. In fact, I have concerns about moving and making changes that move profit margins into this by publicly traded companies, which is what we're often dealing with. I've seen it go awry. I was here for the E-ZPass debacle from the first Christie administration that gave us E-ZPass. That was a disgrace.

So the public-private partnership piece we've seen go very badly awry. You've mentioned some positives and I respect that. But when I go back to privatization goals and look over what you've identified, for instance, under improved risk management -- where you say, out loud, that part of the benefit of this is because you can save money because you can sidestep compliance with Federal and State environmental regulations -- I don't think that's what we're trying to accomplish. And that concerns me, because a public-private partnership -- I can see where there would be opportunities for making that work. But until you have a real breakdown of exactly what it's going to cost and what that benefit is going to be, including -- are we talking about moving labor costs from a livable wage down to minimum wage? And how are-- What's the role of how employees are going to be trained and compensated? I think all of those things have to be considered. And I am very concerned about those aspects.

It seems to me that obtaining reliable cost data on any proposal must be the first step. Because you're right. You could privatize almost anything, but if we -- at least I believe -- that the government's job is to provide essential services and do it in a cost-efficient manner. I want to know that you've actually compared the costs correctly for tangible benefits and for tangible differences before anything moves forward.

Can you speak to that issue of how you actually get the cost benefits? I mean, we have -- seem to have difficulties within our existing technology infrastructure in this state today, which-- I mean, I think the Motor Vehicle Commission, to their credit -- because there was quite an investment made -- operates beautifully at this point in time. But it didn't used to. And many of our systems cannot seem to produce data. We run into this all the time.

So how are we, as government, even going to make the assessments that need to be made before you confidently compare what you're saying is a cost savings to what it's actually costing?

CONGRESSMAN ZIMMER: I agree with your point completely, Assemblywoman. And you've got to have a good cost-benefit analysis beforehand. The reason that E-ZPass failed was because there was a very bad one done before the contracts were designed and let.

And we recommended, for that reason, that there be a devoted unit in State government that would do the cost-benefit analysis in a very rigorous way. We're modeling our suggestion after a unit in the state government of Florida which-- And I suggest that you go to their website. I think it's called Council on Government Efficiency. What they do is, there are what are called *business cases* proposed. Somebody comes up with an idea in government or outside government -- a potential contractor or stakeholder for a privatization initiative. This unit of government goes to (*sic*), in excruciating detail, the cost and the benefits. They quantify the quantifiable aspects. They deal with the intangibles as well. And then they decide whether to move forward and to privatize a specific proposal. Our suggestions go beyond that -- what Florida is doing. We believe that there

should be a centralized unit of people who are experts at procurement, so that we get the contracts properly drafted so that the bidding process is as sophisticated and focused on performance as possible. And after the contracts are let, this central unit of government would make sure that they're monitored so everything stays on the up and up.

But the first step has got to be a really good analysis of the cost and the benefits. And I couldn't agree with you more that that's something we have not done well enough. And it's a key to successful initiatives in the future.

ASSEMBLYWOMAN STENDER: How would you-- I mean, immediately what I'm hearing is that at a time when the workforce is getting smaller in the State, and budgets have been cut -- that the manpower out there is diminishing -- you're suggesting yet a new function for government, a new layer of government that would be on top.

CONGRESSMAN ZIMMER: A new function, but not a new layer. Not even a new function; a centralized unit that could very well be staffed by existing employees who are expert in procurement, in financial analysis, and in the legal aspects of contracting. We have them in government, and our Task Force dealt with them. They're really excellent. They're in the Department of the Treasury, they're in the Department of Law and Public Safety, they're in some of the operating departments like Transportation. We need not hire anybody. And it doesn't have to be a big unit. In fact, in Florida, the agency that does this is staffed with four -- count them -- four people, and it saved hundreds of millions of dollars.

ASSEMBLYWOMAN STENDER: Moving on from that, because I think we could continue to debate some of those issues about --

well, taking existing people who are already doing existing jobs and moving them into a new function; and then who is going to do the job that they were doing?

CONGRESSMAN ZIMMER: They're doing the job better and more coherently.

ASSEMBLYWOMAN STENDER: But having said that, I don't think that yet speaks to the issue of who makes the decision of what things ultimately get privatized. And I have concerns about one person or one committee. I think it's very -- I think that is not in the public's interest to have just a couple of people making these big decisions, because it's too subject to influence that I don't think could be good, necessarily. That's one thing.

But the other thing-- Let me just say this. Given that we are three months into the fiscal year and have the pressure of needing \$50 million in savings to keep the budget balanced, and have yet to begin implementing any of these privatization proposals-- I mean, how do you avoid these mistakes other than you're just saying you're going to take people you already have, and you're going to move them over, and they're going to stop doing what they're doing so that they can do this?

CONGRESSMAN ZIMMER: Well, the people who I would envision would form this unit of government would not stop doing what they're doing. They would do it in a more effective way. It relates to what the Commissioner said. We have very talented people throughout State government. We can use them in a more productive way so that their capabilities can be better used for the benefit of the State.

I would suggest-- Before I testified I should have consulted with Treasury to get their ongoing score card of savings that go to this \$50 million line item. But I can tell you that NJ TRANSIT -- even before we began our work -- was well on its way to a process where it was going to realize considerable savings by engaging in privatization and public-private partnerships relating to its parking facilities; not just to achieve more resources out of the parking facilities that exist, but actually to use them as the focal point to develop transit-oriented development around our train stations.

That is something I do think you'll see a payoff from within this fiscal year. There are others that I know have been-- Some of our suggestions came from the departments and authorities themselves. And so my thinking is that they were already beginning to take these initiatives, even as we were deciding whether to include them in our report. Unfortunately I can't quantify this at this point. And I would suggest that you ask the Treasurer's Office to do so.

ASSEMBLYWOMAN STENDER: Okay. Which of your proposals that you've gotten-- Because it seems to me that there has to be better oversight than what you're proposing in the structure that you've given. And so I have to ask which of your proposals would require legislation?

CONGRESSMAN ZIMMER: By the way--

ASSEMBLYWOMAN STENDER: Because it seems to me that it's only through the legislative process that we, the public -- as the public representatives really get to see what the -- whether the job has been done

adequately for a cost-benefit analysis, because that continues to be my concern about what you're proposing.

CONGRESSMAN ZIMMER: Well, a lot of our-- Our most significant recommendation on legislation other than to create an organized-- I believe that it would be appropriate to create an organized system for vetting and overseeing privatization initiatives of the sort that I described.

Also, I would very much recommend that you seriously consider passing P3 legislation. A lot has happened since the legislation that was passed in 1997. There were three projects built under that legislation. They were all successes. And other states like Virginia, and now Pennsylvania, have really gone further in the area of P3s. That would require legislation. Only independent authorities -- quazi-autonomous authorities like NJ TRANSIT and the Delaware River Toll Bridge Commission, which is doing the Scudder Falls Bridge, are in a position to do major infrastructure projects. I would urge your Committee to consider P3 legislation if for no other reason than to be able to use P3s as part of the response to the expiration of the Transportation Trust Fund.

And I would urge you, when you do that, to make sure that you have the kind of control, and oversight, and cost-benefit analysis that you referred to. It's part of any appropriate and successful privatization initiative.

ASSEMBLYWOMAN STENDER: Thank you very much.

ASSEMBLYMAN WISNIEWSKI: Thank you, Assemblywoman.

Assemblywoman Bonnie Watson Coleman.

ASSEMBLYWOMAN WATSON COLEMAN: Thank you, Mr. Chairman.

This was quite a lot to read last night, and a lot of work went into this. And I'm not necessarily opposed to privatization when it works. But I'm very concerned with some of the experiences that we have had; and some of, I think, the underdeveloped ideas that are contained in this report, with expectations that don't seem to have, really, any sort of evidence base associated with accomplishing them.

So I have a couple of questions for you, Congressman, first to the extent that you know -- given that we are four months into the new year. There is a \$50 million expectation of savings. Where are we in that process in this budget?

CONGRESSMAN ZIMMER: As I mentioned to Assemblywoman Stender, I'm sorry that I don't have the financial data for you. I should have asked Treasury for it, and I suggest that you do so. But I can tell you that in our internal calculations, we concluded that it was well over \$50 million in the first year.

ASSEMBLYWOMAN WATSON COLEMAN: Within this budget.

CONGRESSMAN ZIMMER: In the first year was easily achievable by the combination of our recommendations.

ASSEMBLYWOMAN WATSON COLEMAN: I guess one of my concerns is, one of the things that you said -- that the goal of privatization or the public-private partnerships should be lower costs, improvement of services, access to private capital. Are those *ands* or *ors*?

CONGRESSMAN ZIMMER: They're *ands*, and there are more *ands* beyond that. There are many benefits that are available.

ASSEMBLYWOMAN WATSON COLEMAN: So it is proposed that in order to determine what should be privatized -- how it could be privatized and how the cost could be saved, we would be creating this super entity, using existing people or otherwise, who will have numerous responsibilities: not only monitoring the procurement of contracts and how they're designed, not only what kind of skill set you need, but somebody is even going to envision what should be privatized based upon their expertise.

CONGRESSMAN ZIMMER: Yes.

ASSEMBLYWOMAN WATSON COLEMAN: So I guess since this may exist department by department, how does something like this megastructure, this additional level of bureaucracy, get formed within a period of time that you could even make a determination as to what could viably be saved in this fiscal year?

CONGRESSMAN ZIMMER: Well, I would urge you to consider legislation to accomplish it. I think the Governor can, within his executive powers, do so administratively probably with not as much detail and clear authority as can be done by legislation. It was done legislatively in Florida, which was our model.

ASSEMBLYWOMAN WATSON COLEMAN: May I ask a question on that? What you're suggesting is that this entity, this super entity, would be developed legislatively, although the Governor could conceivably do it administratively--

CONGRESSMAN ZIMMER: It could be done--

ASSEMBLYWOMAN WATSON COLEMAN: --through his executive powers, but perhaps not as thoroughly as if it were vetted legislatively?

CONGRESSMAN ZIMMER: Perhaps I'm showing my prejudice as a former State legislator. I'd rather have it done by the Legislative Branch. But I do believe that the powers of the Governor are sufficient that it could be done by him.

ASSEMBLYWOMAN WATSON COLEMAN: But it doesn't exist in this form. So on September 15 or 16, whatever this super entity is going to be has to be designed, has to be assigned, people have to be identified, and then it has to be charged, and then hopefully it will design--

CONGRESSMAN ZIMMER: Okay. The fact is that these functions are being done already by the Department of the Treasury, by the Department of Law and Public Safety, by the operating departments. Sometimes they're paying large amounts of money for outside contractors to do this kind of analysis which we would save if we could do it in-house.

So it is not a prerequisite to moving forward. The State has done a lot of initiatives without this entity. We just believe that the entity would make it -- would be better able to identify appropriate subjects for privatization and reject the inappropriate ones, and also to manage it better. Because we've had failures in the past.

ASSEMBLYWOMAN WATSON COLEMAN: Thank you, Congressman.

I think that that is a big concern of mine -- the compressed way in which we might be moving forward; and the fact that we're thinking a lot of what can be done and what can be accomplished, and we're thinking

what could be saved and what could be done better -- but we don't really know, because we don't have any evidence-based information upon which to make those decisions. So it's almost a leap forward in faith, and I have no idea if that's appropriate in this setting.

Thank you.

CONGRESSMAN ZIMMER: I respectfully disagree with that.

ASSEMBLYWOMAN WATSON COLEMAN: I understand that.

CONGRESSMAN ZIMMER: It's one thing-- We were discussing setting up an administrative unit, but we do have a lot of evidence that could be applied by people in the existing structure.

ASSEMBLYWOMAN WATSON COLEMAN: We most assuredly have a lot of evidence on what has not worked and even in the things that have worked. So we do have evidence. We just don't have the infrastructure put together the way you suggested it needed to be in order to ensure that the right decisions were being made as to what to privatize; that the manner of oversight is established; that we determined the ratio of oversight to activities being done by outside contractors; and on, and on, and on, and on. I mean, there's a lot to do here if we're going to do it right.

CONGRESSMAN ZIMMER: There is. But to give credit where credit is due, the Chairman and others in the Legislature, when they analyzed E-ZPass and the problems involved, successfully enacted legislation to deal with some procurement problems that were revealed by E-ZPass. And I won't say that sort of thing will never happen again, but EnCap, other failures, have given rise to legislation. That legislation, however, has been piecemeal, and we would -- we think it could be -- we

could better manage the privatization that's been ongoing, through Democratic and Republican administrations, through some kind of coherent system.

ASSEMBLYWOMAN WATSON COLEMAN: Right. And we do have an opportunity, if given the time necessary to evaluate what is in the best interest to do, and how to do it; and how to ensure that it's done properly without having to correct, after the fact, something we should have gotten in the very beginning.

CONGRESSMAN ZIMMER: I agree.

ASSEMBLYWOMAN WATSON COLEMAN: Thank you.

Commissioner, I wanted to talk to you a little bit about two areas. One is the South Jersey Transportation Authority's part-time toll collecting. I don't know why it's part-time, and I don't know why it's not considered a core function of a transportation authority whose responsibility is the Atlantic City Expressway. And I would like to know what we think we could save -- because do we know what it costs?

COMMISSIONER SIMPSON: I think that's a good example, because what I've been hearing-- And I've been listening, because they always say a good witness listens rather than talks. We're talking about a couple of things. Really, this privatization thing-- One of the areas is contracting out of services, which I think is a hot button for everybody for a whole bunch of reasons that we're all familiar with.

So let's take the South Jersey Transportation Authority and the part-time toll takers. When you have seasonality -- and I don't think anybody would argue that the South Jersey Transportation Authority has seasonality on its toll road. Obviously, in the summertime with everybody

headed to the shore, you need -- and also on the Garden State Parkway -- you need a whole bunch of part-time workers. It makes no sense to have full-time workers. That stress of hiring on the Garden State Parkway and Turnpike -- let's say, 500 people for a short period of time -- stresses the human resource departments of either agency. You could pick either agency. Plus, the work that's involved for the full-time people to try to determine who is best suited for the job-- It's just a very timely, onerous process to--

ASSEMBLYWOMAN WATSON COLEMAN: A lot of those positions get taken by college students and things, right?

COMMISSIONER SIMPSON: Yes, that's correct.

ASSEMBLYWOMAN WATSON COLEMAN: So at a kind of nominal--

COMMISSIONER SIMPSON: Yes.

ASSEMBLYWOMAN WATSON COLEMAN: Do we have any idea what it actually costs to run that sort of seasonal response versus what it would cost -- as well as ongoing -- as opposed to what it would cost if a private entity were doing it?

COMMISSIONER SIMPSON: Yes. And to do this right really captures the essence of contracting out services, which I don't really call PPPs, even though it is. The big stuff is the infrastructure that I'd like to talk about in a moment.

Here's what happens: When this goes out-- Now, we know--

ASSEMBLYWOMAN WATSON COLEMAN: I just wanted to know, do we know?

COMMISSIONER SIMPSON: Yes. The answer is yes. Obviously we would be very bad accountants and managers if we didn't know what it would cost for that.

ASSEMBLYWOMAN WATSON COLEMAN: So it would just seem for us -- that we'd like to know those figures. We'd like to know, tangibly, what something costs, whether or not it is an adequate service or deficiency in service, and what we're proposing, and what it would cost, and what would be the mechanism for ensuring that level of service. as well as the cost-savings.

COMMISSIONER SIMPSON: You laid out-- You basically laid out the process. You know what it costs to deliver the service as is. You know what the quality of the service is. And now if you go out for an RFP, and you had a private company come in and say, "Look, we're going to take the headache away from you. We will supply you. We will make sure that you have so many--" I hate to use toll collectors, because they always get hit. It could be anything. It could be any kind of a service where you need a whole bunch of people for a short period of time, or any kind of other service, and you do an analysis. The leadership-- Right now, we have the authority to do that. We don't need legislation to do that. So we could just go ahead and do that. And if you're unhappy with it, my understanding is that you hold a hearing, and you hold us accountable as the Executive Branch.

So to me, that's the stuff that you really should be doing on a regular basis. And guess what? You aren't always giving it to the private sector. There are cases in this state -- NJ TRANSIT -- where we do an analysis like that. Guess what? The public sector is actually less money

than the private sector. That's a good thing. You've got a balance, you've got a competition. So sometimes you stay with the private, sometimes you stay with the public.

This whole thing about PPP legislation-- I think the big thing is-- And I can give you an example. It's probably the easiest way to do it. The Scudder Falls Bridge -- this new bridge we're proposing over I-95--

ASSEMBLYWOMAN WATSON COLEMAN: You know what? I'm okay. Because my question is: Do we know the cost now? Do we know what the cost -- what will be saved and what will be the process for oversight?

COMMISSIONER SIMPSON: Yes.

ASSEMBLYWOMAN WATSON COLEMAN: So in terms of the question that I asked, we don't know the cost now, and we don't know-- If we do, we haven't brought it here. We're not prepared to discuss it today.

COMMISSIONER SIMPSON: No.

ASSEMBLYWOMAN WATSON COLEMAN: So I want to go on to something else.

COMMISSIONER SIMPSON: Okay.

ASSEMBLYWOMAN WATSON COLEMAN: Are you at all aware of a right-of-way privatization at DOT in the 1990s, I believe in Governor Whitman's Administration?

COMMISSIONER SIMPSON: No.

ASSEMBLYWOMAN WATSON COLEMAN: And perhaps you might want to look at it, because it might inform you in the future as it relates to privatization in the Department. But it failed so miserably that

within a year we were back in the Legislature trying to kill that contract and rehire people.

COMMISSIONER SIMPSON: For right-of-way?

ASSEMBLYWOMAN WATSON COLEMAN: I think it was a right-of-way function -- that or a surveying function.

COMMISSIONER SIMPSON: Sometimes it's the process. It's like you don't want to throw out the baby with the bathwater.

ASSEMBLYWOMAN WATSON COLEMAN: It was the contract; it was poor performance, I believe, and it was dashed expectations. And they ended up having to -- as they always thought, those who were representing those employees -- that the work could be done more efficiently, effectively, and cost-effectively in-house, which takes me back to the bridge inspection.

That will be my last question, Mr. Chairman, because I see your hand is getting ready to cut off my microphone here. (laughter)

I guess I'm a little bit lost here by two things. Number one is that if you were to take over, again, the bridge inspections -- that are a subject of this contract that someone has done a report, that I'm sorry I haven't seen -- where it could be done more cost-effectively in-house. You would have to hire more people, right -- people do this -- or you would be using the existing workforce?

COMMISSIONER SIMPSON: I can get you the exact numbers, because it is a big Department and there are other departments. Some bridge inspections we do ourselves. Other bridge inspections we don't have the in-house expertise-- We just don't have the expertise, and we don't have the personnel. So we outsource it. We contract out for it.

ASSEMBLYWOMAN WATSON COLEMAN: So you would have to-- If, for some reason, you made a determination that this contract that exists now is too costly and you're not getting your bang for your buck, you would have to hire people if you were going--

COMMISSIONER SIMPSON: I'll tell you the truth. My concern is not cost, really. I mean, my concern is cost. Let me just-- With bridge inspections, it's a very critical asset. You don't want to have a bad-- It's like surgery. You don't want to have a bad surgeon. You don't want to have a bad bridge inspector.

ASSEMBLYWOMAN WATSON COLEMAN: I agree. So do we have any reason to believe that you have deficient inspections by in-house people of bridges?

COMMISSIONER SIMPSON: No.

ASSEMBLYWOMAN WATSON COLEMAN: Because I really don't want anyone to put a checkmark beside a bridge that may not be safe either.

COMMISSIONER SIMPSON: Bridge inspections are probably a bad example, because it's really mission-critical. And whenever -- in Transportation or, I guess, anything in the State -- but I will just speak for Transportation. Whenever you have a safety nexus, there are really no shortcuts. So my earlier comment really was a 30,000-foot comment relative to the Department of Transportation and other agencies.

But with respect to bridge inspections, you have my assurances that whether it's contracted out or it's in-house-- And at the end of the day, those folks who do the actual bridge inspection -- we do have inside.

But if we're using an outside contractor, in-house people are looking over their reports to make sure they're right.

ASSEMBLYWOMAN WATSON COLEMAN: So there is competency inside the Department of Transportation to either inspect it or to oversee the inspection of it.

COMMISSIONER SIMPSON: Absolutely. And I'll let this Committee know now, we do have a shortage of expertise on bridges. People are retiring, and it's very difficult, for a whole bunch of reasons -- even if you were so inclined to bring people on board -- to get those people.

ASSEMBLYWOMAN WATSON COLEMAN: So then if we have the expertise, and we have the competency inside, and now there is a report that says we could do it cheaper, wouldn't those be the reasons to bring it back inside?

COMMISSIONER SIMPSON: Well, you know what? Once again, I'm sure there will be another hearing on this. I probably spoke too much. But you have to do the full analysis. How many bridge inspectors do you have? What is their full cost? What does the office space cost? What is that analysis? And what are the other benefits that accrue with that? Sometimes--

ASSEMBLYWOMAN WATSON COLEMAN: Did you read that report? Are you familiar with that report?

COMMISSIONER SIMPSON: There are like 600 reports. I think I read through the executive summary six months ago, and I haven't looked at it since.

ASSEMBLYWOMAN WATSON COLEMAN: I would hope that they would have done that kind of analysis before they made those recommendations and conclusions.

Thank you.

COMMISSIONER SIMPSON: And I'm saying, right now, we could use more bridge inspectors in-house. I want to make that clear.

But the point is that you really need to do a full analysis. We have the report. The report is a couple of years old. We have been doing an analysis. We have not-- We're doing a whole bunch of analyses. You just can't do them all overnight. So at a future date we'd be able to get back to this Committee and tell you the results.

ASSEMBLYWOMAN WATSON COLEMAN: Thank you, Commissioner. You know, as a former employee of the Department of Transportation in my young life, I found the workforce exceptionally competent.

COMMISSIONER SIMPSON: Me too. Thank you.

ASSEMBLYWOMAN WATSON COLEMAN: Thank you.

Thank you, Mr. Chairman.

ASSEMBLYMAN WISNIEWSKI: Thank you, Assemblywoman.

I'm going to go to Assemblyman Rumpf.

But one of the things that you have to help us with, Commissioner, Congressman, is that a lot of the answers are that these things take analysis, they take time. Fair point. We're a quarter of the way through a budget year that anticipates \$50 million in savings from these things that take time and take analysis. And so I need somebody to

reconcile with the-- What do you mean these things take time? Because you've got only three-quarters of a budget year left to come up with \$50 million. Are you talking about this takes six months, does it take nine months? Because then you're going to be into the next budget year.

COMMISSIONER SIMPSON: You know, as the Commissioner of Transportation, I come to work every day--

ASSEMBLYMAN WISNIEWSKI: I would hope so.

COMMISSIONER SIMPSON: --under those pressures, knowing that I want to get this done. So I share your concerns as well. Our goal is to get there.

You know, the first thing we did was we--

ASSEMBLYMAN WISNIEWSKI: Commissioner, I appreciate that. And I don't mean to cut you off. I don't want this to sound the wrong way, but I feel like we're dancing here. Because the question is: If it takes time, how much time? Because you've got nine months left to come up with \$50 million. If it doesn't take that much time, then the discussion about all these things are complicated-- For instance, the issue about bringing bridge inspection back into the DOT-- I've been in the Assembly 15 years. I've been made aware of that report probably over a decade ago. And then there's been subsequent reports done both by the DOT and done outside the DOT that come to those same conclusions. So if a decade of studying this issue is not sufficient, how do we get nine months to come up with \$50 million?

COMMISSIONER SIMPSON: Well, you know, like anything else-- And I'm not saying this, but I'm saying it. If, at the end of the day, we don't-- I'm speaking for myself now. If I can't make that number, then

I failed a certain part of the-- We try. We set up a number. I think this is probably a conversation for a future point in time to see how we finally vet this.

ASSEMBLYMAN WISNIEWSKI: So my understanding, if I'm correct, is that that number is kind of an estimate. It may not be real.

COMMISSIONER SIMPSON: Right. It was a goal.

ASSEMBLYMAN WISNIEWSKI: Okay. It's in the budget, and just-- We would assume that when we're voting on things in the budget that they're real.

Assemblyman Rumpf.

ASSEMBLYMAN RUMPF: There we go. (referring to PA microphone)

Congressman--

CONGRESSMAN ZIMMER: One second.

ASSEMBLYMAN RUMPF: Sure, go ahead.

CONGRESSMAN ZIMMER: When we were calculating the savings, as a Task Force we assumed that they wouldn't kick in until January 1 on the average. So to get to \$50 million, we actually recommended \$100 million for the first year. So there is time for this to happen. And as I said, I don't have the specific progress report as to the savings to date. But I'm quite confident that more than \$50 million will be realized in savings.

COMMISSIONER SIMPSON: (speaking off mike) And this includes-- And I'm looking at this--

ASSEMBLYMAN RUMPF: Turn your mike on, Commissioner.

COMMISSIONER SIMPSON: Some of these numbers include the authorities that don't hit the general budget. So they're outside of the budget, but they're still savings.

ASSEMBLYMAN WISNIEWSKI: As we speak today, am I correct in understanding that you don't have a number that you can tell me?

COMMISSIONER SIMPSON: No, I don't have a number that I can tell you today. And you know what? Part of this process is this process that we have-- You know what? My hearing, when I confirmed back in February or March -- and also at my budget hearing -- when I talked about doing away with ESP, there was a firestorm of controversy on both sides of the aisle: "What do you mean? What are you doing?" So there's a whole bunch of listening, and, "Maybe we're going to craft it a little bit differently, and maybe it's not going to be all privatization, if you will." So some of this stuff has been give and take, which I think is part of the process.

I mean, I alluded to the fact earlier that we may not just do away with ESP. We may do a more concentrated program where we have inquiries and try to get a subsidy. So we started, when we put this together-- I think we were 60 days into the administration. So as part of the process with stakeholders, including this legislative body, things are subject to change. So that \$12 million that we're counting on at some point in time may wind up only being \$7 million or \$8 million. I hope that answers your question.

ASSEMBLYMAN WISNIEWSKI: I think the answer I'm getting is that, as we sit and speak here today on September 16, we don't

have a definitive answer on where we're at in coming up with the \$100 million annual basis savings that would result in a \$50 million savings for the current fiscal year.

COMMISSIONER SIMPSON: We don't have an answer, but we're on our way.

ASSEMBLYMAN WISNIEWSKI: Okay.

Thank you, Commissioner.

Assemblyman Rumpf.

ASSEMBLYMAN RUMPF: Thank you.

Congressman, I wanted to thank you and your Commissioner for putting together this report. I believe it does contain a number of innovative ideas. I believe we're in an era where we have to be creative, thinking outside the box. Privatization, as everyone has stated, is very potentially a part of that solution.

One of my problems, quite frankly, with Executive Order 17, which created your commission, is it empowered you to analyze the savings that might be achievable within State government. Right now we are sitting here on September 16. The Legislature, back in July, passed a 2 percent cap affecting all of our counties and municipalities and, quite frankly, without the toolkit items that are so desperately needed. Each and every town within my district -- and I'm sure all of my colleagues are hearing the same thing -- government is not going to work at the local level either. I would like to have seen Executive Order 17 extended to allow you to share with our regional and local governments the ability and the potential that might be there for many of our localities to also benefit from some cost savings. Because we all know it certainly is going to be needed.

And if the message could be taken back to the commission, should you meet following your dissolution on May 31, I would, quite frankly, like to see your mission expanded.

CONGRESSMAN ZIMMER: Could I respond to that, Assemblyman?

ASSEMBLYMAN RUMPF: Sure.

CONGRESSMAN ZIMMER: It may not have been explicitly in the Executive Order, but it was something that we focused on because amongst our membership were a former freeholder, former councilwoman. And we realized that the municipalities, counties, and school districts are under tremendous budget pressure.

We met with the League of Municipalities, School Board Association, the counties and asked them explicitly to identify impediments to privatization that they saw. And other than civil service, and collective bargaining agreements, and prevailing wage legislation, they really couldn't identify any impediments. The more candid of them said that the principal impediments to privatizing at their level were political.

So if you contract out for a service that is publicly paid for at the local level, you get the individuals who have the jobs and all their families showing up at your next council meeting and denouncing you. So we did focus on it. The reason why the report doesn't include recommendations for counties, municipalities, and school boards is because they weren't able to identify anything other than those items that I mentioned to you.

ASSEMBLYMAN RUMPF: So what you're saying is that once we get working on those toolkit items, if you will -- collective bargaining,

and civil service, etc. -- privatization techniques may well aid the local municipalities, school boards, and counties.

CONGRESSMAN ZIMMER: They'd be of better use.

But I will tell you, there are privatization initiatives at the local and county level involving water supply, corrections, etc., etc. When I spoke to some legislators about the work of the Task Force, they bragged about what was going on -- and these are Democrats -- they bragged about what was going on in their counties or their municipalities in the area of privatizing services. And so there is a lot of activity going on, and I think it should be shared amongst the municipalities, the counties, and school boards so that others can do it.

ASSEMBLYMAN RUMPF: Thank you.

Commissioner, one of the recommendations that is particularly intriguing, in my view, is the performance-based maintenance contracts. Presently, we do not have any such arrangement existing within this State. Is that correct?

COMMISSIONER SIMPSON: I'm sorry, which contract?

ASSEMBLYMAN RUMPF: Performance-based maintenance contracts for DOT. I find that to be particularly intriguing. I understand Virginia has implemented such a system and has found success with it. And as I understand the Virginia story, the success is not just with the 6 to 20 percent cost savings, it is also with the quality of the work being performed and the roadways, quite frankly, being in better shape by virtue of the letting out of those privatized contracts.

COMMISSIONER SIMPSON: Right. Yes, that's something that we plan on looking at as well. It's a relatively new procurement

procedure. Virginia does have rather -- does have good success with it. So we're looking at that as well. We don't have numbers yet on that. But it would be something to consider.

ASSEMBLYMAN RUMPF: Would you look to try a test case along a particular roadway?

COMMISSIONER SIMPSON: Yes. We wouldn't want to go to the whole state. We'd want to try-- We've got a very-- Our traffic and our highways are much more congested than Virginia's, except for the northern Virginia area. So we would do something in a controlled environment that we would experiment with. And if we have good success, then we could expand it -- a section of interstate highway -- let's say maybe from 80, from the Pennsylvania border to Morristown, or something like that we might do.

ASSEMBLYMAN RUMPF: All right, appreciate that.

And with regard to the issue of vehicle inspections, it's my understanding that, presently, when we pay our registration fee that a portion of that registration fee is designated for the vehicle inspection. And, in fact, it gets passed along to Parsons who performs the inspections.

In terms of any privatization in which we get rid of the State-run inspection stations, what is to preclude us from holding steady that same registration fee and simply sending the vehicle owner a voucher to take to a private shop?

COMMISSIONER SIMPSON: While I serve on the DMV Board, I'm not involved in the day-to-day, so I couldn't answer that question. I can get that for you though. I'd be more than happy to provide that to you.

ASSEMBLYMAN RUMPF: I'd appreciate that.

COMMISSIONER SIMPSON: And can I state for the record, particularly for Assemblywoman Coleman, that 50 percent of our bridge inspections are done in-house, and obviously the other 50 percent are done outside.

ASSEMBLYMAN RUMPF: Thank you, Chair.

ASSEMBLYMAN WISNIEWSKI: So which percent does a better job?

COMMISSIONER SIMPSON: I'll get back to you. I don't know.

CONGRESSMAN ZIMMER: They both do a great job.

ASSEMBLYMAN WISNIEWSKI: That's what I figured the answer would be.

Assemblyman Prieto.

ASSEMBLYMAN PRIETO: Thank you, Chairman.

Good morning, Congressman.

Good morning, Commissioner.

Thank you so much for the testimony today.

There's been a lot of talk, and I may repeat a couple of things. There's one thing-- We talked about the successes of public-private partnerships, which I think is a little bit different than total privatization. We don't know the actual cost. But have we looked at what it would actually take to reverse it? I've read reports that over 50 percent of the time when you do have privatization it's taken back because there are problems -- cost overruns. It's not good for the general public, so we have to step back in. Has it been thought out -- of any of this -- what would be

the impact and the cost of taking it back? And either one -- if anybody wants to--

CONGRESSMAN ZIMMER: I'm unfamiliar with that 50 percent figure. But one of the reasons we're proposing that there be a centralized oversight of the vetting process and the cost-benefit analysis is to make sure that we do it right the first time, rather than incur the cost of reintegrating the service into the public workforce. And one of the recommendations that we included in our report is that, wherever possible, public employees be given the option to bid against a proposed private contractor. And in many cases throughout the country and at the Federal level where that is provided -- that opportunity -- the public employees win. In fact, far more than half the time at the Federal level, when they're given that opportunity, they prevail. But they very often come back with a much more efficient delivery system, sometimes doing away with middle management, that serves the public at a lower cost.

ASSEMBLYMAN PRIETO: But sometimes what happens is, to project so far into the future is very difficult. Sometimes we create legislation-- And being a legislator yourself, you know that sometimes you have to do additional legislation even to correct that, even in the short-term. So we're talking here about long-term. When we talked a couple of years ago about monetization of the Turnpike, those were challenges that we talked about. So I think those are concerns.

One other thing that I'm a little perplexed-- We talk about -- and the Commissioner talked about there's a bill about savings for toll collectors privatizing. And then I hear we're talking about being able to keep the same workforce. It's not getting rid of the workforce. So if that's

there, why wouldn't we be trying to be more efficient, save money? Because we're going to be outsourcing it to somebody who wants to make a profit. So why not have that here? Why couldn't we implement that if we're thinking of keeping these jobs and saving these toll collectors?

COMMISSIONER SIMPSON: That's really a good question. And we are doing that. We are injecting the -- call it entrepreneurial government, if you will. We're trying to operate all of these agencies with the best practices of good government and the best practices of the private sector.

It gets to a whole bunch of things, but let me answer your specific question. We have not made a decision that those part-time toll collectors are going to, somehow, disappear, and it's going to wind up in the hands of the private sector. That's an analysis that has to happen. But if you look at changing technology-- I've been on the record saying we're going to go to an all electronic toll at the South Jersey Transportation Authority in a little over a year. And at some point in time I can envision, in the not too distant future, the Garden State Parkway going to an all electronic toll where you don't need those toll collectors at all. What do you do with them? They've been-- Technology has changed the job where they're not needed anymore. So the goal is -- and I've had conversations with the unions that -- "Hey, can we take those folks and maybe let them fix guide rails or do other things within the agency?" So those are the kinds of things that this Administration would look to do. We don't just want to cast people out on the street because they've been outsourced to technology in that case. It's not even a privatization of people, it's a technology change.

ASSEMBLYMAN PRIETO: And with technology also, there are always glitches. So you always have to have people. And that probably would be a backup. So toll collectors -- probably on the whole you could never get rid of them. And I know people who, to this day, tell me that there is no way they'll have an E-ZPass, which I don't understand why. But that's a thing to consider. So technology may not-- The human workforce -- there's a need for it.

Just the last point that I want to make is: On the local level, on the municipal level that I work in, I've always seen that when you tend to do things in-house, a lot of times they are a lot cheaper. And I know we talked about the bridge inspections and all of that. But if you do it right-- And I know working government, as a business, is very difficult, because there are a lot of challenges there. But if you make the changes to be able to do that, doing things in-house always seems to work out the best, and you can keep control of it. Because when you go outside, you still need to have that layer of oversight. Does that become a bigger layer, as one of my colleagues mentioned before-- that you then may be taking people who were doing some job; creating that job, so you're creating more work for them, and give that-- So that needs to be thought out correctly before we proceed.

Thank you, Mr. Chairman.

COMMISSIONER SIMPSON: Agreed.

ASSEMBLYMAN WISNIEWSKI: Thank you, Assemblyman.

Assemblyman Rudder.

ASSEMBLYMAN RUDDER: Thank you, Chairman.

Just generally, philosophically speaking, when you approach looking at public-private partnerships or privatization, what main programs

do you look at? Is it services, is it something from a capital perspective? I mean, as you're approaching these tasks, and read your report, and as you're looking at these things, what do you find to be the easiest solution? What's the hardest solution? What are lessons learned from the E-ZPass, Parsons debacles when they were first initiated? And then also, should public employee unions be concerned through this process? What level of interaction are you engaging in our current state workforce?

CONGRESSMAN ZIMMER: As far as which proposals -- which functions of government should be considered for privatization, we took the advice of the former mayor of Indianapolis, Mr. Goldsmith, who was recently hired by Mayor Bloomberg of New York City to be his Deputy Mayor for Operations. He was a pioneer in privatization. And he's applied what he called the *Yellow Pages test*. If a service or function is listed in the Yellow Pages or is otherwise commercially available, it should be a candidate for privatization. You should have an effective cost-benefit analysis to make sure that it makes sense in this particular context.

But we should look at the whole range of activities of State government. There are some that are inappropriate that-- The Governor told us we should not look at the State Police, for instance, as a subject for privatization. I suppose you could outsource it to Blackwater. I don't think that would be advisable.

On the other hand, there are a whole lot of services that generally you don't consider to be subjects for privatization, which have successfully been privatized in other states and municipalities. New Jersey, which was a leader in this area when it passed the pilot legislation in 1997, is way behind a lot of other states now. And so I would not try to-- I would

have the broadest net possible for candidates for privatization. But as I said, before you move forward, you've got to analyze what in Florida is called a *business case analysis*, and look very carefully to make sure you're doing it -- you're making the right decision.

As far as engaging the labor unions, most -- virtually all the public employee unions did participate in our process. And the CWA was very active at our hearings. And a number of their recommendations ended up in our report. It's been the experience, starting with mayor Goldsmith of Indianapolis, and throughout the history of privatization, that the most successful efforts of privatization have been collaborative -- working with the state, or municipal, or county employees rather than in an adversarial relationship.

In some cases, there are bound to be disagreements. But especially when employees are given the option to have a fair opportunity to compete against a proposed private contractor, and to point out how, in specific cases, they can be more efficient; and to create more efficiencies in the process than currently exist, because they know the process better than anybody else -- that's when privatization works the best.

ASSEMBLYMAN RUDDER: Great, thank you.

Thank you.

ASSEMBLYMAN WISNIEWSKI: Thank you, Assemblyman.
Assemblyman Milam.

ASSEMBLYMAN MILAM: Commissioner, Congressman, welcome. I thank you for being here. You, maybe after this, won't thank us for you being here.

But, Commissioner, the road service kind of peaked my interest. I see it on the road, because they kind of service the southern part of 42, 55, 295. What is the size of that fleet, that department?

COMMISSIONER SIMPSON: It's about 60 or 70 vehicles and about 97 individuals. It's less than 100.

ASSEMBLYMAN MILAM: Are motorists charged for those services?

COMMISSIONER SIMPSON: No.

ASSEMBLYMAN MILAM: How come?

COMMISSIONER SIMPSON: I didn't set it up. I would charge them, quite honestly.

ASSEMBLYMAN MILAM: Has it ever been considered? I mean, I know you talked about outsourcing it. Is that part of the consideration? If you keep it, they're going to be charged?

COMMISSIONER SIMPSON: No. Probably the Administration, to charge them-- It would cost more than they charge. And I don't think we want to get into that business. And it's already there. It's like the Congressman said, if you find it in the Yellow Pages, why not look at outsourcing?

To me, the private sector is already there. This service, if you will, is actually -- it's subsidized by the taxpayer, and it's competing with private-sector companies that are already paying income tax that have plants and facilities. We're competing with tow truck operators and repair shops. And the taxpayers are paying for it, and we're providing a marginal service. So to me, I don't know if that's the business of government.

ASSEMBLYMAN MILAM: When was it started, do you know?

COMMISSIONER SIMPSON: This is part of a Federal program that allowed-- I don't know when, but it's been around for a while -- at least 10 years. It's a Federal program that is used-- Excuse me, it's a Federal program. And the money is flexible. You can use it for different sources. And this was started as a congestion mitigation kind of a thing. You have a car break down; and as a result of a car breaking down, you have fender benders, and slow traffic because people are rubber-necking and the like. So it sort of morphed from there. And it's one of those things that has never been analyzed. "Hey, it's good. The Feds are paying for it. Nobody is paying for it. Let's do it." And in good times, you could argue that it made sense. It was an extra service that you were giving to the taxpayer, but it's not a full service.

ASSEMBLYMAN MILAM: But it's a cost now to the Department, right?

COMMISSIONER SIMPSON: What it is, is an opportunity cost. The opportunity cost of providing that service is not providing more asphalt, and filling broken roads, and such.

ASSEMBLYMAN MILAM: So is the Federal government paying for the service then?

COMMISSIONER SIMPSON: We're really paying for it. We get a formula of money that we send to the Feds, and then the Feds send it back to us, and they tell us how we can spend it. So there isn't any such thing as a free lunch. We're paying for it, as taxpayers. It's a matter of: How else could you use those funds to get the biggest bang for the buck?

And the way we look at it is, we'd rather have that money go toward something else that improves the performance of the roads, let the private sector do it; or, as I said, through this -- through the stakeholder outreach and all of that -- and the legislators -- maybe there's a hybrid that we could create that may be a better model.

ASSEMBLYMAN MILAM: Did you say it earlier -- if you did, I missed it -- the cost of that operation -- just that operation?

COMMISSIONER SIMPSON: It's between \$10.5 million and \$12 million a year.

ASSEMBLYMAN MILAM: I know on the -- to privatize that, or whatever the word is -- the Turnpike example.

COMMISSIONER SIMPSON: We're not talking about the Turnpike and the Parkway.

ASSEMBLYMAN MILAM: I'm going to though. I'm going to make a point of what could happen here.

New Jersey Turnpike -- you break down. I'm going to even go into the commercial vehicle side from personal experiences, other experiences I hear from colleagues in my own business as well. You break down, a tow truck is dispatched to you. There is a regulated fee. I'm going to say -- I think it's \$450 to get you off that Turnpike; \$450 is spent now. Now you're off the Turnpike. The tow truck has paid his toll. Now you are, because you're hooked to that truck, under his per-mile, per-hour, per-day storage, per-day -- they're out of control. This could happen here. There has to be real tight regulations of what they could charge someone for that \$2.65 gallon of gas that they gave them to get them to the next station. Are they going to charge them \$450? I really would like to think that that

was going to be a real control factor just for our general motoring public. I'm not talking about commercial now. I'm talking what happens on the Turnpike. Yes, they'll be there, they'll tow that vehicle, they'll get them to the garage, they'll maybe take advantage of someone that's not as mechanically inclined and say, "You need this, this, and this." You could just see this happening if it would continue.

COMMISSIONER SIMPSON: No, we're not towing, so your example--

ASSEMBLYMAN MILAM: No, no, no.

COMMISSIONER SIMPSON: Well, your example is saying that-- Nothing changes. If you need a tow right now, ESP is not towing you. So you're having the private provider or two, or your own AAA, or whomever come out to take care of that. So nothing is changing. As a matter of fact, one could argue that the time you are broken down would be -- the time you're on the right-of-way is going to be lessened because-- Like in my case, you wait an hour for the ESP truck, the ESP truck can't help you. Then you have to call for a tow. So the next thing you know -- and this is a worst-case scenario -- you might be sitting out there two hours when you could have called a tow truck, the tow truck would have been there. You see that. I mean, I would argue that it would be a better service if we were towing, but that's a more expensive service.

ASSEMBLYMAN MILAM: How many calls a day do you think they do?

COMMISSIONER SIMPSON: I can get back to you on that.

ASSEMBLYMAN MILAM: I'm just curious. One hundred, 200, 50?

COMMISSIONER SIMPSON: I used to know those numbers. But there are so many numbers-- I'm getting older, I can't remember them all.

ASSEMBLYMAN MILAM: I listened also (indiscernible) the E-ZPass subject came up. I'm not going to really hit on it much. But they said it was just a bad disaster when it first started, this and that. Who is E-ZPass? I mean, who are they? Where are they? Are they in Chicago, are they in New York? I mean, I know they have the New York-New Jersey one. They have this-- Who are they? Where are they?

COMMISSIONER SIMPSON: E-ZPass is a consortium of, like, the New York MTA, the New Jersey Turnpike, the Pennsylvania authorities. And we have this umbrella organization that's sort of like a trade mark -- E-ZPass. Then behind the scenes that does all the processing -- you have several companies that do it in the market. This is all outsourced. This is all private. This is not government doing it. And it's a great example, because it makes sense. It's not what the Turnpike does, it's not what New York MTA does. So you could achieve economies of scale. You've got one person who does it -- one company rather. There is a company that does it for the Turnpike -- AET. They also do it for the Port Authority, New York MTA, and some points south. So we're able to -- and I don't know if we did this last time or not -- you bundle. We go out to bid together in some cases. We pretty much all know what's going on. This allows that company, which is now owned by Xerox -- that's one of their core competencies. Ours is not the processing and all of that. So that's a perfect privatization thing.

Also, if you're going to have a regional product like an E-ZPass, do you want to have five E-ZPasses -- one for New York, one for New Jersey, one for Pennsylvania, and so on? This allows those kinds of things. And it's best handled by a private operator that does it for all of the different authorities -- all the different public authorities.

ASSEMBLYMAN MILAM: They don't have a say in the increase in tolls.

COMMISSIONER SIMPSON: I'm sorry?

ASSEMBLYMAN MILAM: They don't have a say in the increase.

COMMISSIONER SIMPSON: They have no say. It's the cost-- It's one of our costs of doing business.

ASSEMBLYMAN MILAM: So they collect \$10. Are they giving the Turnpike Authority \$9 back? It's just an example. I just used Turnpike.

COMMISSIONER SIMPSON: I'm sorry, can you say that again? I was interrupted. I was reading a note that was passed to me.

ASSEMBLYMAN MILAM: If they collect \$10, are they giving the Turnpike Authority \$9? How are they making their money?

COMMISSIONER SIMPSON: They're collecting this in the pennies they get for a transaction. It goes by transaction.

ASSEMBLYMAN MILAM: It is? Okay, by a transaction number, not a dollar amount.

COMMISSIONER SIMPSON: Let me tell you, we're spending on the Turnpike-- We take in almost a billion dollars. I think we're spending \$85 million for toll collectors -- close to \$100 million; \$70 million

for toll collection on the electronic format. But that's about 70 percent of the transactions. So you can do the math. If 70 percent of the transactions are costing you \$70 million, and it's about the same thing for a human interaction that handles the other 30 percent, you can see where the economies are through technology.

ASSEMBLYMAN MILAM: What's the size of the DOT, the Department of Transportation? How many people work there today?

COMMISSIONER SIMPSON: A little over 3,000 -- 3,301.

ASSEMBLYMAN MILAM: How come we haven't heard anything -- and I haven't, since I've been up here for almost four years now -- of reverse outsourcing? Assemblyman Prieto started to touch on it. I've never heard anyone say, "You know what? We paid a consultant to study a highway when we could have done it in-house, and we could have saved this dollar." I don't think we're hearing enough about it. Because I think we have very, very qualified people who work for the State in all the different departments. We have very honorable people, very loyal people. I don't think we're hearing enough about reverse. How much are we paying consultants, and architects, and everyone else? I don't hear enough about it. Is it ever considered -- a reverse outsourcing? Bring it back home.

I did it in my own business, saved bundles of money. I'm not paying a consultant for the Department of Transportation, I'm not paying this, we're doing it in-house. Because I had people willing to do it. All you had to do was ask. Sometimes people, as a human frailty, do not reach out. But when you ask them to do it, they're more than glad. It makes their day go shorter because they are busier. That's what I want to hear more about. I don't have to hear it today, but I really think it -- this Committee, along

with the total Legislature -- ought to have every department do a study on reverse outsourcing.

COMMISSIONER SIMPSON: You know, it goes in line with my comments about the ability to really appraise, and manage, and have the flexibility to move the workforce around. If you could do a lot of those things, I think it would go a long way to have the conversation and more support for in-sourcing. And I've been on the record -- when I was a Federal official, a senior level official in Washington -- talking to an engineering group about in-sourcing rather than outsourcing. But the Federal government really has the mechanism for appraisals, and performance, and goals, and strategy that we're trying to implement here as well. But we could go a long way. It's a labyrinth of rules and regulations that make it very difficult, once somebody's employed in this organization, to move them around and do other things with them. But I hear your comment, and you're right on target.

ASSEMBLYMAN MILAM: Thank you, Mr. Chairman.

ASSEMBLYMAN WISNIEWSKI: Thank you, Assemblyman.

Just as a follow-up to that question, Congressman, the report-- In the deliberations of the committee, or the fact-finding, did the committee consider I guess what's been called *in-sourcing*, or is it just simply looking at outsourcing?

CONGRESSMAN ZIMMER: We weren't charged to do that, but I think it was-- In the spirit of the report, we don't take a position whether any particular function of government should end up being inside -- in-sourced or outsourced. It should be done on a case-by-case analysis. And just as it's a pragmatic decision to ship a function out of government, it

should be a similarly pragmatic and nonideological decision to bring it in when it makes sense. And there are cases when it does.

ASSEMBLYMAN WISNIEWSKI: The name of the Task Force was the Privatization Task Force.

CONGRESSMAN ZIMMER: Exactly.

ASSEMBLYMAN WISNIEWSKI: I was just curious as to whether you had any debates in saying, "Well, maybe we ought to put a section in here saying, 'All the things that -- such as bridge inspections -- that could be brought in--'" But that really wasn't something you looked at.

CONGRESSMAN ZIMMER: No. As far as we went was to point out the success of programs where the public employees were given the opportunity to compete for -- candidates for outsourcing. But our logic does extend to in-sourcing. And people shouldn't be rigidly opposed to in-sourcing any more than they should be rigidly opposed to privatization, in principle.

ASSEMBLYMAN WISNIEWSKI: Thank you.

Assemblyman Amodeo.

I appreciate your forbearance before so your colleague could ask some questions.

ASSEMBLYMAN AMODEO: Not a problem, Chairman.

Thank you.

And, gentlemen, it's still morning, so good morning to both of you, although we are approaching the noon hour.

Congressman and Commissioner, it was -- it's great to see you. And I want to thank the Congressman specifically for taking the time out of his private and professional life, and from his family time, to do the diligent

work you were charged with through Executive Order 17 to help the Governor study the issue of privatization.

CONGRESSMAN ZIMMER: Thank you.

ASSEMBLYMAN AMODEO: Naturally, as we move forward, one specific question I have is-- You had mentioned, as we approach July 1 of '11, our Transportation Trust Fund is -- I'm not going to use the term *bankrupt*. We're not going to have any future funding for infrastructure in the state, which is of great concern, I'm sure, to everybody in the room.

As we look forward with the public-private partnerships, how can that system or form -- if it is privatization -- work toward keeping people employed in the State of New Jersey?

CONGRESSMAN ZIMMER: I think it can work toward keeping people employed in many different ways. First of all, to the extent that we have a capital shortage, the private sector can provide the capital upfront. Secondly, because the bidding process is streamlined-- In fact, the Federal agency has concluded that the Hudson-Bergen Light Rail was completed eight years before it would have been completed using normal procurement. That will get more jobs and more steel moving faster, with ultimate better results sooner for the taxpayers, and drivers, and rail passengers.

And finally, the private sector is able to be innovative. It is freer to come up with different approaches than are typical in the public sector. And that applies not just to construction techniques, but also to financing techniques. So at a time when we're going to need a lot of imagination, and there's going to be a lot of pain involved in continuing to meet the transportation needs of our citizens and qualifying for the Federal

match, this has got to be an element of the solution. Which is why I would urge this Committee to consider P3 legislation expeditiously so it can be keyed up in time for the revision -- renewal of the Transportation Trust Fund.

ASSEMBLYMAN AMODEO: Thank you for that question.

Chairman, may I ask our Commissioner a question?

ASSEMBLYMAN WISNIEWSKI: Please.

ASSEMBLYMAN AMODEO: Thank you.

Commissioner, I think we might have had this conversation, but I'm not sure, and I'm not a proponent of the cashless toll system on SJTA. I know it's been implemented on that interchange, and I did send out a press release denouncing it, because I do have feelings. I honor our public workforce. I feel that that is the State's most valued asset, not a cashless machine. I understand that even more recently, before the cashless system was implemented on Interchange 17, we had a \$0.50 toll raise on South Jersey Transportation Authority's Atlantic City Expressway. And at the same time, over the past three years, we had 35 percent raises amongst administration with that same agency. So those are all concerns I have.

And going back to the cashless, it seems like we're taking it out on our hard-working employees who have been dedicated, have chosen that lifestyle to support their families. They live in the communities, they pay their taxes, they go to work every day because they want to work. And we're leading -- with technology, and I'm not against technology -- in a fashion-- I believe you need cashless in areas, but I think you still have to implement personnel to satisfy the needs of people who don't believe in E-

ZPass, even though it might be a small number. So how can we just say we're going to go totally cashless?

COMMISSIONER SIMPSON: First of all, I apologize for the toll increase, but a lot of that toll increase goes for the subsidy that the Atlantic City Expressway pays to the Airport, which is, as you know -- and you're a big proponent of that -- is a big economic engine for the region, not only Atlantic City.

I share your concerns about the workforce. Once again, we would look for opportunities to maybe in-house some things and not toll collection. If we take those toll collectors off -- and maybe they can do guide rails or something along those lines. Obviously, they're part of the family of Transportation.

And I also understand how people want to have the ability to be anonymous or just not have an E-ZPass. That's one of the rights we have in this great country. We will have a mechanism for people who don't want to have an E-ZPass account to get through the toll lane. It will be part of an automated -- it might be a throw-away E-ZPass or something along those lines. And those fine details have not been worked out 100 percent yet -- the privacy issues and the other things. So we're almost there. We kind of believe it's -- you'll stop just before the toll plaza, pick up -- or go to a grocery store, even, and pick up an anonymous E-ZPass. We're working out the glitches. Just use it, throw it away, and that's the end of it.

So it's a concern. I don't have a definitive answer on that, because there are some privacy issues that other folks are looking at in the state as well.

ASSEMBLYMAN AMODEO: Thank you, sir.

ASSEMBLYMAN WISNIEWSKI: Thank you, Assemblyman.

COMMISSIONER SIMPSON: One last thing: There have been no raises under the Christie Administration.

ASSEMBLYMAN AMODEO: I was aware of that.

COMMISSIONER SIMPSON: Okay.

ASSEMBLYMAN WISNIEWSKI: We don't want to go into the other fees and stuff though.

Assemblyman Mainor.

ASSEMBLYMAN MAINOR: Chairman, I thank you for that.

Gentlemen, I thank you. I thank you for coming before us.

I really wish that you were coming here to tell us how this was going to lower the tolls, but that's just wishful thinking.

My main concern is the workers, the employees. I have to ask, and you probably answered it: Will there be any jobs eliminated because of this?

COMMISSIONER SIMPSON: I don't know.

ASSEMBLYMAN MAINOR: You don't know?

COMMISSIONER SIMPSON: No.

ASSEMBLYMAN MAINOR: About the status of the employees who do remain: Will they still be considered State workers? Will they still have a union in place, their seniority, and all that? Will that still be there, or is that something that's going to be eliminated also?

COMMISSIONER SIMPSON: There's no proposal right now that's out there that is going to change anything other than the part-time toll collectors who have no status whatsoever except part-time.

ASSEMBLYMAN MAINOR: Okay.

How many toll collectors do -- how many part-time toll collectors do we have?

COMMISSIONER SIMPSON: On the Garden State Parkway and Turnpike it's in the vicinity of 500-some-odd, and maybe 75 or 80 at the South Jersey Transportation Authority.

ASSEMBLYMAN MAINOR: How many in total?

COMMISSIONER SIMPSON: Total full-time and part-time?

ASSEMBLYMAN MAINOR: Yes.

COMMISSIONER SIMPSON: For the Turnpike, we've got 315, Garden State Parkway is 173. Those are full-time. And about 500 seasonal. And on the South Jersey Transportation Authority, 37 full-time and 81 part-time.

ASSEMBLYMAN MAINOR: See, my concern is -- and I hope I'm not being wrong by saying this -- is that if this was to go through, everybody's status would be changed to part-time, and then everyone would be private. That's a little concern that I have.

I understand that we're doing this here because we want to save money.

Mr. Chairman, I'm going to end it with this here, just by saying that I'm a firm believer that sometimes-- The information that you brought today is a little vague, and you really didn't have the information that we really need to really understand what you're saying. Some questions were asked, and you didn't have answers for them.

So that leaves me, like, where are we going? I feel like we're shooting in the dark here. And this makes me feel that the savings that you

speaking of today is just going to cost us a lot more tomorrow. And I'm just concerned.

COMMISSIONER SIMPSON: Could you be a little more specific, because I don't understand?

ASSEMBLYMAN MAINOR: It's all right.

COMMISSIONER SIMPSON: I don't understand your comment. I really don't. We're talking about moving the State forward. We don't have anything hard on the table. And I just don't understand.

ASSEMBLYMAN MAINOR: That's what I'm saying. You don't have anything hard on the table, so I don't know why we're here. You're not bringing us any information. My colleagues have asked questions, and you didn't have answers for them.

And I'm really concerned about the employees. In this day and age, when jobs are being lost, I'm really concerned about that. But I thank you for coming.

COMMISSIONER SIMPSON: Thank you.

ASSEMBLYMAN MAINOR: Thank you, Chairman.

ASSEMBLYMAN WISNIEWSKI: Thank you, Assemblyman.
Assemblyman Rumana.

ASSEMBLYMAN RUMANA: Thank you, Mr. Chairman.

First of all, I want to thank Congressman Zimmer and Commissioner Simpson for being here today. You've done a great job in your presentation.

I want to reflect back on one thing that was noted earlier -- and just to sympathize with your position, Commissioner, in the fact that I was a mayor. I led an administration of a fairly sizable town. And I

understand-- I appreciate and understand what you mean by being hamstrung by certain government policies that have been in place for many years. It's one of the reasons why those toolkit items need to be looked at. Because we have to have flexibility to change government to meet what is now modern-day workforce realities throughout the entire state, and that includes the private sector as well as the public sector.

The debate going back and forth-- I don't think anybody sitting up here today, and everybody out in the audience, and even yourselves would say that, as a blanket rule, privatization, public-private partnerships are going to work across the board on everything. And I want to just make sure we have the playing field leveled back out. We can point to examples of privatization failures and maybe public-private partnerships failures. We can point to many failures in government too. We know for years there have been instances of waste, fraud, abuse, and failures across the board in the public sector. So it's not an absolute that privatization is bad and public is always going to be good. There's going to be instances of failures in both. And the job is to try to do what we're supposed to do to make it work, whether it is privatization or a public-private partnership.

And that kind of leads me to an example of something that comes from my own hometown. While mayor, we were working with NJ TRANSIT to try to get a parking garage built. It was going to be a five-level deck. This happened under the Corzine Administration, or maybe spanning McGreevey's and Corzine's administrations.

And just for the Committee's standpoint, the bid went out for the project. It came in \$10 million over the estimate. They went back-- They retooled the project, they went back out for bid again, and it came in

\$12 million over the estimate. It couldn't work in the public sector. It could not work. So we came up with an idea to work out a public-private partnership, which is now being advanced.

And, Commissioner, if you look into this you'd find out that we're looking to have a developer come in to build that parking facility and also have a development on top of that project, which will bring us a ratable. So it's good for the tax base. It's not a publicly owned property any longer, or it wouldn't be at least at that aspect of the project. And you ultimately are going to get the parking deck for the services that we need for the citizens who have to use mass transit, which -- it's serving a bus and rail facility -- as well creating the jobs not only to build it, but the jobs that will be in the hotel, and retail center, and whatever else goes into this office space that would be in the development part of the garage.

The point is: It can work, we just have to manage it right. And, again, I appreciate the report that you've written.

Just on one note: We do have many challenges, and it's been expressed from many different speakers today. New Jersey has a record of having a high cost per mile for road construction and maintenance. Is there any plan that you envision, through this effort, that would maybe get us to a place where we can try to reduce the cost, make it less expensive for us to be able to provide that service and maintain our road system -- transportation network?

COMMISSIONER SIMPSON: There are a whole bunch of reasons why our road prices are higher than most of the states. Some is that we have such a high concentration of traffic volume, so they get beat up a lot quicker and we have to resurface more than usual; and the heavy

truck volume. But we do things that only-- We pay for the relocation of utilities. Only one other state does that. That adds probably 5 percent or 10 percent to the cost of construction projects. We do things like we pay prevailing wage, and we've got unions -- which I'm not knocking in any way whatsoever. So the cost of doing business in New Jersey, like New York and Pennsylvania, is a lot greater than Alaska, Wyoming, and such. But we're always diligent in looking for new mixes and new ways, new technology and new asphalts that give us a longer, more durable life. We're looking to do more things in preventative maintenance that will help us get more longevity from our projects and assets. But it's just-- We have the most densely populated roads in the country, so it's a difficult proposition.

ASSEMBLYMAN RUMANA: Thank you, Commissioner.

Thank you, Mr. Chairman.

ASSEMBLYMAN WISNIEWSKI: Thank you, Assemblyman.

Commissioner, you mentioned prevailing wage. Does the Department have a position on paying prevailing wage?

COMMISSIONER SIMPSON: I'm not sure.

ASSEMBLYMAN WISNIEWSKI: Thank you.

COMMISSIONER SIMPSON: I can get back to you for the record on that.

ASSEMBLYMAN WISNIEWSKI: I appreciate that.

COMMISSIONER SIMPSON: Thank you.

ASSEMBLYMAN WISNIEWSKI: Assemblywoman Rodriguez.

ASSEMBLYWOMAN RODRIGUEZ: Hello, gentlemen.

Congressman, Commissioner, thank you for your testimony this morning.

Good afternoon.

Just for a point of clarification, I'm a little confused -- and not to be redundant.

Early in your testimony, Commissioner, you talked about the cost savings for privatizing sectors. But also you could not rely -- maybe I'm mistaken -- you could not rely on your State employees for performance, for accountability.

Now, as I understand it, you're going to create an entity from the same group of people who are now employees to supervise or manage this private function. Now, how can we rely on them supervising these people when we can now not rely on their capability or their performance?

COMMISSIONER SIMPSON: I didn't say that we couldn't rely on their capabilities. What we really have are fully functioning people at the DOT working in a dysfunctional environment. The dysfunctional environment is the work rules and the procedures that encumber management from being flexible. And that's a statement that I -- as a former Federal official, and a former private sector employee (*sic*) with hundreds of employees in the State of New Jersey, it's a far departure. Coming to the New Jersey DOT was like-- I feel like I'm, I don't know, back in Russia in 1950, particularly having come from the Federal government -- the United States Department of Transportation, which is light years ahead of this State.

So what I'm saying is, as we move forward to reform the State with this Committee and with other committees, we really need to take a look at the work rules and how we can redeploy our employees when necessary. We need to look at performance appraisal and how we can really

define performance appraisal, not just a pass/fail structure. So as someone who -- my DNA, as a private sector entrepreneur -- my DNA says, "Even if it was cheaper, I don't want to put new employees into this catacomb of rules and procedures that are like 60 or 70 years old. It takes us back to another era. We really want to do--" I'd like to have the United States Department of Transportation as a model for the New Jersey Department of Transportation. We'd do so much more -- to do all the things that we want to do. I don't envision this big, new entity to somehow oversee our public-private partnership initiative, which I think has been sort of muddled today. Because I think the things that are really a hot button for all of us here are outsourcing jobs or contracting out services.

That really-- The way I see it -- I'm speaking for myself as the Commissioner of Transportation -- we need to look at that on a one-on-one basis. And I believe that if we can do the right things for the DOT, to bring the DOT -- to make the DOT-- What I'm really saying is, the DOT is not competitive if you wanted to look at an outsource model. We should try to really protect our structure at the DOT, because we need that institutional knowledge. We should do all the things that give management the flexibility to run the place like a business. We should also have the private sector where it makes sense. And that's just the-- We can do all that right now without any legislation. So the kinds of things that I'm talking about are more about the big infrastructure stuff that we need to do for the big money that we don't talk about.

You know, we spend billions upon billions of dollars in this State every year for Transit and highway infrastructure. We need the ability to be able -- and the perfect example is the Scudder Falls Bridge -- to

be able to say, almost overnight, “We want to design and build a bridge, and get it done right away, and we want to get it done as quickly as possible.” Now, if you look at that Board structure, they never built a bridge before, so you don’t have the subject matter expertise at that authority to go out and build a bridge.

Then you’ve got a Board of Directors. The next thing you know is, they’re not going to design it to budget, they’re going to design it to dreams or they’re going to try to build an edifice. And then by the time you do the procurement process you have to bid the architectural and engineering, then you’ve got to bid the contract. By the time you go through that whole process, you’ve lost years. And maybe not in this economy, but generally we were seeing pricing of construction projects going up 10 percent or 15 percent a year. Time is money.

So we’re looking for a way where we can say, “Look, private sector. This is the traffic flow. We need a nine-lane bridge with a bike path. Be smart, be innovative. You all go out and design the best thing that you can design that will last us the longest, that is going to give us the kind of performance we need, and bring it in at the lowest cost. And oh, by the way, if you’re not right on your money with the cost, then you’re responsible. You’re at risk.” We transfer the risk from the public sector.

So think how easy it is for us now. We’ve got this company that does that. We know the performance that we want, we know the specifications. They go out and do it. And by the way, we don’t have to go out and bond for it. Maybe they’ll go out and finance it, and we’ll just give them some of the toll revenue, or we’ll give them an availability payment.

That's what we're looking to do to move the State forward. That's the big thing. Because the other stuff we can do every day. And I think it's getting lost about toll takers, and outsourcing, and doing all those things.

So if I leave you with nothing else today, I just want to leave you with the fact that the big picture is the infrastructure. We used to have that ability in New Jersey. We had this pilot program for six or seven projects that sort of-- It was in the '90s when things were going bad. Who wanted to take another chance? I don't blame anybody.

So we look around at our states, and we look around-- We have to be competitive with the rest of the globe. We need to do that. We need to have this legislation -- this broad legislation to allow us to go out and do that. And if we do it incorrectly, then you'll haul us up here, you'll tell us -- you beat us up, and you tell us we did a bad job, and we didn't have the proper oversight. But I don't see this other big public entity in order to do that. Maybe a small group of people in the Executive Branch who have some experience, who can be as an oversight-- This Committee would be great oversight for it. But that's what we're looking for. We're looking to change the procurement -- the way we go out and procure these big infrastructure projects.

ASSEMBLYWOMAN RODRIGUEZ: All right, thank you on that.

But I have a comment: Maybe on that big scale it works. But being involved in local government for many years--

Example: graffiti removal, garbage collection. It's a lot more costly to privatize. I can get two guys in a truck with chemicals and go

remove graffiti off a wall. Now, if I'm going to contract somebody to go out and-- It's at least \$800 or \$900 for one site. So maybe I'm narrow-minded in that sense, but that's what the expertise is about. Maybe on a big scale of the State it works, but for a local government it never did.

COMMISSIONER SIMPSON: And it's not every job. We're not going to design every bridge that way. It's just to have the ability and the availability to look at that as an alternative to the current way of doing things. And I hear what you're saying, as also a taxpayer and resident. And you get your bills in from different-- And having lived in several different states, you get these bills for services that you thought were free.

ASSEMBLYWOMAN RODRIGUEZ: Right. Thank you.

COMMISSIONER SIMPSON: Thank you.

ASSEMBLYMAN WISNIEWSKI: Thank you, Assemblywoman.

Congressman, thank you for being here today.

Commissioner, thank you.

I would ask, if you can, stay around. We have a lot of people who have signed up to testify. There might be some follow-up questions afterwards.

And then, Commissioner, you know on Monday the Transportation Committee is going to take up the issue of NJ TRANSIT. And the initial scope of the hearing was to talk about the delays; but obviously there's a new wrinkle that's come up -- is ARC Tunnel -- and we'd love to have your testimony on Monday as well.

COMMISSIONER SIMPSON: Okay. Thank you.

ASSEMBLYMAN WISNIEWSKI: I'd like to call, first up, Eric Richard, New Jersey AFL-CIO.

Thank you, Eric.

ERIC RICHARD: It's quite all right.

Chairman, I just personally want to thank you for holding this hearing. The State AFL-CIO just commends the Committee for coming together to take a close look at the Zimmer report, and we're appreciative of that. And we thank you for the opportunity to come before the Committee and share our thoughts.

First and foremost, I just want to say at the outset, we're not discrediting everything that-- We didn't want to come in front of the Committee and say the AFL-CIO is blanketly opposed to everything and anything that's being mentioned here. That's simply not the case. We understand there's a role for the private sector, we understand there's a role for the P3, and we respect that. We just want to make sure when we move forward that we're bringing our concerns to you, as legislators, of course about the specifics relevant to the workforce. That's our membership, that's our primary concern.

But I'm also a resident of the State of New Jersey, I'm also a taxpayer of the State of New Jersey, so I'm sensitive to a lot of the arguments. Our members are sensitive to a lot of the arguments that are being presented to you today -- because we all understand that we're in a difficult economy, we all understand that we need to move forward. And taxpayers need to be front and center when we try to look for some of these efficiencies.

With that being said, we have three primary concerns about the Zimmer report. The AFL-CIO has concerns specific not just to the transportation-related subjects that we're talking about today. And, of course, many of them have been referenced today. And that ranges from the emergency service patrols, to the toll takers on the Turnpike, to NJ TRANSIT -- the bus routes that we've been working on. And we've been opposed to some of the privatization efforts on the bus routes for quite some time. And basically we have some categories of concern that we would like to bring to the Committee's attention that we think address all of those various recommendations within the Zimmer report.

First: Inside the report there are continuous references to transparency, best practices, oversight, and other key words used to instill trust to move toward private systems. Transparency, best practices, and oversight, of course, are good public policy, and we recognize the report was released only two months ago. But we're anxious how these systems to implement these best practices are developing. This is of particular importance in light of the estimated savings included of \$50 million -- which has been referenced by the Committee several times -- in the most recent budget. That's about a quarter of the total amount that the Zimmer report has estimated in savings -- that \$50 million.

This sends us, as organized labor, a clear message that privatization efforts are on a fast track here in the State. And so our concerns are that these best practices that are being discussed in the report will not be developed or implemented prior to moving forward with various privatization efforts.

The New Jersey State AFL-CIO believes that if we're serious about transparency, if we're serious about best practices, and if we're serious about oversight, then we should not be putting the cart before the horse, announcing anticipated savings in an annual budget from privatized projects without any details on systems seeking to enhance transparency, best practices, or oversight.

Second, the report speaks to involving public sector employees in the process. And the New Jersey State AFL-CIO appreciates that. However, our question is: Is this actually happening? Has the Administration, in fact, reached out to public employees and their representatives to try to become involved in the process? A whole host of savings inside the report, of course, are labor related. Who better to come forward and speak to the Administration about potential cost savings, when it comes to labor costs, than labor officials. If they're serious about that, as Congressman Zimmer mentioned in the report, are those conversations happening? I don't believe that they are. We interact with over 400 local unions, many of which are public employee unions, and none of that has been brought to our attention thus far about whether or not any of those conversations are being had with public employee representatives regarding efficiencies.

Therefore, if officials are serious about input from public employees and their representatives, then let's have a genuine conversation. Let's put our numbers on the table and see how labor and management can work together to provide exactly what the report has requested: cost-effective options, rather than turning all operations simply over to the private sector.

Elaborating on that point: If we're to have a serious conversation about savings from labor costs, we must bring to your attention the lack of details in the report concerning savings amounts. We would respectfully ask that the research and data used to establish these savings estimates be made public so we can take a close look at them and see that they add up.

Finally, let's have an honest dialogue about what savings actually are. The example of Motor Vehicle inspections savings specified in the report reminds me of the extensive discussion the Legislature just had about the property tax cap and how it will lead to an explosion of user fees. When officials make recommendations like this one in the Zimmer report, they are simply substituting user fees for existing revenues. The Zimmer report estimates \$28 million in savings, but it's easy to see, as a *Star-Ledger* columnist recently pointed out, that the plan is pennywise and dollar foolish. This money will now come directly out of taxpayers' pockets for private inspections rather than from what they pay in motor vehicle fees. And it is estimated that the actual per-vehicle inspection cost to residents could increase five fold. I personally would not consider that a savings.

In closing, everyone recognizes that often when services are privatized they are done in a way to transition to a union-free employer. They also often reduce wages and benefits for workers. These labor savings are then rolled into a bid for services and espoused as efficiencies. We believe that's the classic race to the bottom that the New Jersey State AFL-CIO has been so critical about over the last several decades.

Therefore, we respectfully urge the Legislature to keep a close eye on privatization developments and stand with workers to oppose efforts

that simply cut workers' wages and benefits without implementing any true, realistic, meaningful, and long-term reforms.

Thank you.

ASSEMBLYMAN WISNIEWSKI: Thank you, Eric.

Just a quick question: Representing the AFL-CIO and President Wowkanech, were you or your organization contacted for input or to answer any questions in the development of this report?

MR. RICHARD: We were solicited for testimony, and we did testify before the Zimmer commission. We were not interviewed or brought in to make any recommendations, if that's your question.

ASSEMBLYMAN WISNIEWSKI: Okay. Thank you.

Anyone else have questions?

Assemblywoman.

UNIDENTIFIED MEMBER OF COMMITTEE: I would just like to make a comment in regard to privatization. I live in a town where we privatized one of the services. The first call I got after the town privatized one of the services was a call from a senior citizen couple who got hit with a fee. It was a user-fee, and it was outrageous -- in order to use the service which once the town had provided. And we have to be very, very cautious when we privatized, because this cost is definitely being translated to our citizens, and some of our citizens are deciding to not obey the law because they can't afford the user fee. So there is something that we do have to remain very cautious-- And I thank you for bringing that out.

ASSEMBLYMAN WISNIEWSKI: Thank you, Assemblywoman.

Seeing no other questions--

MR. RICHARD: Thank you, Chairman.

ASSEMBLYMAN WISNIEWSKI: --thank you for your testimony.

From CWA Local 1032, Bill Ricci and Paul Pologruto. I'm not sure if it's your handwriting or my eyes.

Whoever wants to proceed.

Please hit the button so the red light is on.

P A U L P O L O G R U T O: Good afternoon, Chairman and Committee. Thank you for the opportunity to offer some input on this privatization report.

Frankly, we think this is not really a balanced report. It's more like an ideological statement in favor of privatization. The report is very vague. It makes claims that it does not back up with any studies. It lists no studies that were performed. It has no footnotes. The report says that "studies show that." What studies show that? I mean, they cite examples of -- in the early 1990s -- that privatizing maintenance in Australia and New Zealand was a good idea. Well, there are two things wrong with that: Australia and New Zealand are not New Jersey, and I don't know what happened from the early '90s until now. They cite examples of other states, particularly Virginia and Florida for some reason. Apparently they're in the vanguard of privatization, I guess. I don't hear-- They didn't cite Idaho, Wisconsin, or any other states. But they seem to be really respectful of Florida and Virginia. And they make the same assertions: These programs are working well; but they don't have any data to back it up.

We have data. We have a report here that was sent to all the people on this Committee. It's a report that was commissioned by the

Department of Transportation. This report analyzed three areas: bridge inspection, construction inspection, and also design. And in all areas, it came back with at least a 40 percent difference between using consultants and using DOT employees.

Mr. Ricci, who is the Vice President of our Local, will speak more to that. But, I mean, it was really shocking for me to hear the Commissioner basically trash those reports that were written by the Department of Transportation itself. He basically said, "Well, the data is not right, and the methodology used wasn't correct." And he did the typical thing. When you don't like the results of a report that was commissioned in your own department, you just trash the results, you trash the methodology.

The other thing I'd like to take serious issue with is his characterization of our members as deadwood -- as in, "We cannot get rid of the deadwood." I don't know what deadwood he's speaking of. Basically in bridge inspection, we do about 8 percent of bridge inspection in the State of New Jersey, not 50 percent as he said. His testimony was riddled with inaccuracies, it was riddled with general statements. He maintains that he cannot effectively manage the Department of Transportation because he can't get rid of the deadwood. That's one of the key words that you hear in privatization. "I can't get rid of the deadwood because of civil service regulations." Well, frankly, people get fired from the Department of Transportation for not performing all the time. I mean, I represent them. If I won every case, I'd like my picture up on the wall here. Unfortunately I don't win every case. If the Department does its homework and builds a

case, they win. If they don't do that, because the manager is too lazy or otherwise occupied, well that's not the fault of the civil service regulation.

That's the other thing about this report. This report-- Just about every example of things that would block privatization deal with employee protections -- either through civil service regulations, statutes like the perk statute, where contractual -- contractual items that were negotiated between the union. So basically what they're saying is, "Hey, these union protections for employees, these protections that were instituted after years of experience where these employees were not treated correctly -- all of these are impediments to privatization." This kind of statement is-- I really do resent him characterizing our members as that.

And as far as his testimony on the Emergency Service Patrol, I would like to say this: After there was a service -- a dedication for an employee in the Emergency Service Patrol-- After that service, the Commissioner asked to meet with the employees of the ESP. He met with them, and he told them that ESP was doing well, and things were fine, "We're not going to lay people off," etc., etc. Then he comes here and testifies. He testifies and spends about 10 minutes trashing ESP, 1 minute saying the good parts of it, and then 9 minutes talking about how ESP is inefficient and how the employees basically just ride around looking for work to do. He can be assured that I'll be carrying that back to our members back in-- And I'm sure the other union will do the same.

I think that the problem here is that this report, in itself, is contradictory. It says, "Well, we didn't have enough time to conduct thorough studies. We didn't have enough time to really look at this privatization issue in depth because of the deadlines. So we can only give

you estimates.” Then they give you an estimate of \$210 million in savings. They just about come out -- if you read the report -- and say they can-- “Our estimate is that the State can save \$210 million.” This is after they admit that they didn’t have the time, the resources, or even enough information to do their report correctly.

So the question arises: What is the rush here? Why is this Administration rushing to privatize? Why don’t they allow it to be put under the microscope to be studied? The one thing that report doesn’t talk about is-- That report does not talk about what happens if you privatize a service and then, down the line, it does not work, it turns out to be a bad idea. At that point in time, you’ve lost the capability to perform that service. It’s difficult to turn around and just say, “Five years from now.” They talk about maintenance -- letting out maintenance contracts for highways for five years. You’re not going to be able to bring that work back in-house except at great expense, because you’ll have to re-buy the equipment, you’ll have to rehire the employees. Once you do this kind of thing, you’re pretty much stuck in that direction. So before the taxpayers, before this State proceeds to do that, I think they owe the taxpayers at least the courtesy of doing a thorough study and a study that’s analyzed by you folks up there as well, since you have to vote on the appropriations and everything. This is pretty much what I have to say.

One last thing I want to say is, I had the good fortune to be born and raised in Pennsylvania. I know live in New Jersey, and I’m a proud resident of New Jersey. Unfortunately, I did deal with the inspection system in the state of Pennsylvania, which is essentially what they’re proposing. Here’s what you do when you want your car inspected in the

state of Pennsylvania. You bring your car to the dealer, or you bring your car to a mechanic's shop who will inspect your car. You have two choices at that point. You can sit there and wait for hours and lose a half-day's pay while they do the work; or you get your spouse, your best friend, your significant other to drive you to the office. At the end of the day they have to come back and pick you up, and then you go get your car and you find out that there were some things wrong with your car that you really -- you didn't know that headlight was out or that rear brake light was out. This is the system that they have in Pennsylvania.

In New Jersey, they have convenient hours. You can drive in. People complain maybe, "Oh, I waited an hour to get my car inspected." Go over to Pennsylvania where you wait five hours, four hours, whatever for the dealer to inspect your car, and then to tell you that you need repair work done and he can't put the sticker on until the repair work is done. This is the system they want to put in the State of New Jersey.

Frankly, having been under both of them, I love the system in the State of New Jersey. There are agencies that are open I can go to that have convenient hours. Although my local doesn't have members in Motor Vehicles, I really feel that having lived in Pennsylvania and done both systems, it's ridiculous for them to think that that system is better and cheaper. It is not cheaper. You pay much more money in Pennsylvania to get your car inspected than you do in the State of New Jersey.

Thank you for your time.

ASSEMBLYMAN WISNIEWSKI: Thank you.

B I L L R I C C I: I'd just like to make a-- I just have a couple comments.

Thank you all very much for just a little bit of your time.

ASSEMBLYMAN WISNIEWSKI: Sure.

MR. RICCI: Our Local, of course, did provide testimony in front of the Privatization Task Force back in April. Our testimony really was based on a very detailed cost analysis that was prepared in 2007 by an independent agency. We also provided evidence -- which was based on the Governor's own transition team's report in the transportation area -- which basically indicated that in construction, and in maintenance, and in design, and in engineering services in the Department of Transportation, it is much more cost-effective and cheaper to do the work in-house. But none of this was provided in the testimony or in the report by the Privatization Task Force.

And if this is really with the best interest of the taxpayers in mind -- that every dollar counts -- why wasn't that part of the report? I know each and every one of you here. And I thank you very much. You pretty much hit on that topic.

I strongly suggest-- We have the report right here. Those reports are not just done in 2007. I know, Assemblyman, you indicated they go back almost a decade. Really, 2002, 2007, 2009 -- in Department of Transportation. We could relatively-- And we could answer the \$50 million question, right? We could solve that question right here. If we bring back work in the areas of just bridge inspection, construction inspection, and design, we could save about \$90 million per year instantly.

I am offended. I am a principle engineer for the New Jersey Department of Transportation. I manage and oversee consultants. They work under me. And I'm offended by the Commissioner's statement that

we are not and do not have the experience and expertise to manage these areas. That is a completely inaccurate statement. Consultants work for us, work under us. And to make a statement like that-- I am very much offended by that statement. I have successfully managed over 10 construction projects -- multimillion construction projects over the last 10 years, and that is a false statement.

And the Commissioner also indicated that we now do 50 percent of the bridge work in-house. Well, in 2009 -- August of 2009, we were only doing 9 percent of the bridge work in-house. So now we're doing 50 percent of the bridge work in-house, but we're not capable of managing our bridge inspection unit. That is another completely false statement. And he was able to accomplish going from 9 percent to 50 percent without hiring one single DOT employee. So I ask you one -- and not laying off one single consultant contract. So I ask you: How was this accomplished? If he was able to accomplish it-- I guess the 40 percent savings we're looking at, bringing work back in-house -- that might be 80 percent if he was able to accomplish what he was talking about.

So I'm a little lost when he said we're not capable of bringing bridge work back in-house. We were doing 9 percent a year ago, now we're doing 50 percent of the work less than nine months or a year ago (*sic*). So that needs to be straightened out. And if that was accomplished, why are we not moving forward to go 100 percent? Because it's not a 40 percent savings any longer. It's well up into 80 percent savings, and those savings are probably in upwards of a couple hundred million dollars. So I just want to mention that.

I also want to mention, he laid out an example for our ESP unit -- that he waited there for one hour. To give my own example, I was driving home on Route 80. It was snowing out. I received a flat tire, and before I could look in my rearview mirror there was an ESP driver behind me asking me what was wrong and what help I needed. Quickly changed my tire. I was able to get moving. The focus of ESP is -- there's two main reasons: keep the traveling public moving forward without delays, and public safety. Every disabled vehicle that's left in our lanes or on our shoulders are dangerous obstructions. As a construction engineer, I don't allow the contractor to park a vehicle on the shoulder without proper safety behind it. It is a dangerous obstruction. This program saves lives every single day, and they put their lives at risk doing so. Unfortunately, that recently happened. I don't want to get into that at all.

Talk about \$12 million here-- He talks about refocusing that money towards asphalt. You can't really justify that, because that \$12 million is maybe one single bridge structure, maybe a couple miles of paving on Route 280 where it's four lanes wide. You can't really offset that cost and jeopardize public safety by saying you're going to pave a few miles of roadway. I think that's completely unacceptable. Our ESP drivers are trained in first aid, they're trained in CPR, they're trained in traffic control, they're trained in handling safety, handling incidents. You're not comparing apples to apples, you're comparing apples to oranges here. And that's what really needs to be discussed.

But I don't want to take up too much of your time. The one question I do have for each of you is -- from my understanding -- question to Commissioner -- there's \$300 million in Federal money that has to be

authorized by October 1 that has not been authorized, as far as I'm aware. If we do not authorize that money, we're going to lose that money. So the question should be: Where is that \$300 million going? We're talking about making cuts -- \$12 million. We're having problems authorizing some Federal money here.

And I think that's a question for the Commissioner. And it's also a question for each and every one of you. I think you would find it very interesting-- Did the Privatization Task Force-- I know there were questionnaires -- I believe there were questionnaires that went out to each department in regards to privatization of different units and functions. Did you receive that questionnaire from the Privatization Task Force that specifically indicated -- in each one of those functions we're talking about, to bring work back in-house -- that there's big savings there in each and every one of those units? And I have no problem discussing those further at another date and time.

But the focus here should be to save taxpayer money. That should be the number one goal. If it's a case to bring work back in-house to save taxpayer money, that's what we should be doing. And just for the record, I have consultants working for me. I am overall responsible for handling those construction projects. Each and every consultant makes much more than I do.

Thank you.

ASSEMBLYMAN WISNIEWSKI: Thank you for your testimony.

You referred to the reports that I believe you have sitting next to you on the table -- that they may have been submitted to the Committee.

As I sit here today, I'm not aware that we've received them. There may not have been enough copies to distribute it. If you could make sure that you get them to the Committee Aides--

MR. RICCI: We have a couple extra reports of the detailed cost analysis performed in 2007. If anybody is looking for that, we'd be glad to--

ASSEMBLYMAN WISNIEWSKI: Two other things: You had said you had statistics that showed only 9 percent of the work -- the bridge inspection.

MR. RICCI: Yes, we do.

ASSEMBLYMAN WISNIEWSKI: If you could make that material available to us--

MR. RICCI: I will.

ASSEMBLYMAN WISNIEWSKI: And then if you could also provide us more detail on the \$300 million that needs to be authorized--

MR. RICCI: I do not have that detail. I mean, that is really -- I think should be a question to the Commissioner of Transportation, to find out if that \$300 million has been authorized. It's just a question to ask.

ASSEMBLYMAN WISNIEWSKI: We'll look into it.

I appreciate your testimony. Thank you, both.

MR. RICCI: Thank you very much.

Any other questions?

ASSEMBLYMAN WISNIEWSKI: I think we're good.

If you wouldn't mind sticking around, there may be others.

MR. RICCI: Great.

ASSEMBLYMAN WISNIEWSKI: And just for the record, I never had the opportunity to use the ESP service, but I have called -- I won't mention their name -- private services, and I've waited an hour for service too. So I'm not sure that private service is going to be any quicker.

MR. RICCI: I'd gladly do that sort of analysis (indiscernible).

ASSEMBLYMAN WISNIEWSKI: Thank you.

From IFPTE Local 195, I'd like to call Lisa Ciccone, Steve Sharp, and Dante Scoleri.

You're not going to read all that, are you? (laughter)

L I S A C I C C O N E: No, no, no. But there's a purpose to my madness.

ASSEMBLYMAN WISNIEWSKI: If you would just, before you start speaking, identify yourself. Leave the red light on. (referring to PA microphone) Red means go here, for whatever reason.

Please.

MS. CICCONE: Good afternoon.

I am Lisa Ciccone, Business Representative for Local 195 IFPTE. And I have with me today Steve Sharp right here, who works for the State Police. He is a public safety telecommunicator. And I also have Dante Scoleri, who actually is an ESP driver within DOT.

So thank you very much for the opportunity to testify today.

On behalf of the 6,500 members of Local 195, we ask that you take a firm and unambiguous stand against selling off and eliminating the Emergency Service Patrol. The Emergency Service Patrol is about 90-plus emergency service patrollers who have saved the lives of our fellow citizens. They have made the roads they patrol safer, less congested, and have helped

more than 250,000 New Jersey citizens in the last 15 years. The program has been around for 15 years.

Some have suggested today that ESP can be easily replaced by private towing services or AAA. This is totally false and misleading. There is absolutely no comparison. ESP are not tow truck drivers. They do far more, and they do it for free. The ESP program is 100 percent Federally funded. Even the Privatization Task Force report confirms this fact. It's on Page 42 of the Privatization Task Force's report. The Privatization Task Force report suggests doing away with this program and falsely claims that private vendors can provide these services. A private vendor like a tow truck or even AAA can't do what these patrollers do for free. To start, private vendors do not patrol the roadway looking to help stranded or broken-down motorists, because they're not patrolling. If called, a private vendor will come and tow your broken down car. We discussed that.

What ESP does specifically: They are the first responders, not the State Police. They are trained in Hazmat, they're trained in fire fighting, trained in emergency first aid. They redirect traffic, and they actually close down lanes. They set up areas that are safe for emergency vehicles: fire, EMT, State Police. They remove debris from live lanes. They apply stay-dry compounds to slick or oily road surfaces. They have a direct line to the State Police. That's important -- a direct line to the State Police. They clean up debris from accident scenes. They give out maps and directions to lost motorists. They take occupants of disabled vehicles to a safe location and provide a phone. They repair vehicles. They're just not a towing service like stipulated today. They repair vehicles right on the spot -- the get-up-and-go kinds like wipers, and blades, and hoses, and clamps,

vacuum lines, leakage. They fix a flat or provide a little gas. They push vehicles off live lanes. They check for Amber Alerts. They call in aggressive or reckless drivers -- again, safety. They remove downed trees from live lanes. They close bridges in case of accidents or even jumpers. They even get stuck tractor trailers out of overpasses. They assist people when they walk along the highway when their car does break down. In fact, everyone should have a copy, I hope, of a July 29, 2010, letter from Captain William Robb, from the Blackwood Fire Department; and Sergeant Joe Zito, from the Delaware River Port Authority, in which he (*sic*) wrote a letter to Commissioner James Simpson, from DOT, saying that New Jersey's DOT ESP are the nation's model. "This model saves lives," to paraphrase his letter.

I would also like to submit, for the record, a letter that I hope everybody has in regard to our President Junemann, from IFPTE International -- wrote a letter to the Honorable Ray LaHood, Secretary of the U.S. Department of Transportation in which, I quote, "IFPTE is aware that before diverting funds from the successful, efficient, and desperately needed service, the State of New Jersey must first seek permission from the U.S. Department of Transportation and/or the FHA to move that money to other projects. In this regard, IFPTE asks that you reject New Jersey's effort to eliminate the ESP program."

I just now need to call attention to the Congestion Buster Task Force's final report of 2002, presented to then-Governor McGreevey and the Assembly Transportation Committee. On Page 7, key recommendation No. 20, Paragraph 5 -- and, again, later in detail in the report of another key recommendation, No. 24, Page 8 -- it states, "ESP service should be

increased.” It concludes, “Since a vast majority of accidents are not crashes, this has the potential of reducing congestion significantly, thereby increasing public safety on the road without a cost to the motoring public and no State dollars used.”

In another report by the Federal Highway Administration -- report of 2008 -- writes, “The FHWA encourages the largest metropolitan jurisdictions and their states to establish or upgrade their service patrols.” Paraphrasing, “While these various names--” they call them various names -- “Every patrol should be prepared to handle contingencies, thus creating the term *full-function*” -- and what our ESP drivers are.

The program should not be eliminated, but expanded: everywhere, around the clock. The State should seek to expand the program and its hours of operation. It will not cost the State a dime, and it's 100 percent federally funded.

IFPTE Local 195 pledges to work with you to expand the hours in valuable services provided here. If the State cannot immediately get more dollars, we will work with you again to change or modify the service. But it needs to be intact. It's a valuable service. Do not eliminate it.

There are some even here today who have said that ESP are not the first responders, the State Police are. Again, this is not true. The NJDOT operation North and South report -- and which this Committee, hopefully, has a copy of. Again, I submitted it today. It stipulates the fact that ESP North, in 2009 -- the number of calls that were actually dispatched by the State Police -- it's only about 2 percent, in 2009, that actually showed up to them. More importantly, our guys and women were 94 percent -- that were actually found. They were found by ESP on the

road -- 94 percent. In the northern area, in 2010, dispatched by the State Police -- again, 2 percent; but found by ESP -- 92 percent of the time by our drivers. ESP South 2009 -- dispatched by the State Police, about 8 percent, because that dispatch is with State Police and DOT. But ESP found people 92 percent of the time. And in 2010 -- dispatched by the State Police and DOT, about 9 percent of the time and found by ESP 91 percent of the time. Overall, 90 percent of our ESP drivers arrive first and assist drivers in need.

ESP patrollers patrol over 400 miles of roadway on Routes 42, 195, 676, 55, 76, 287, 295, 78, 80, 24, and 440; basically all major north, south, east, west, heavily traveled highways in New Jersey. But the public is involved. When we help someone, they get to rate the employees. Every time that they provide a service and stop somebody -- they're actually given a card to rate them on, basically, their performance, and the length of service, and the time. The testimonials and rating cards show this service really works, and that it saves lives and makes us more secure.

Now for the box. (speaking off mike) I have-- Basically I just want to visually show everybody. It was difficult getting these, because they go right to DOT. But we got our hands on only a few. These are just cards and surveys in regard to satisfied, safe, and secure citizens up and down. Because New Jersey is the East Corridor for Pennsylvania, New York, Philadelphia. So it justifies the service.

And if I may, I just want to read maybe one or two very quick.

ASSEMBLYMAN WISNIEWSKI: Sure, we're running out of time.

MS. CICCONE: I know. I will read just one. "I'm very happy with the service. I had been waiting for--" Wait, excuse me. I'll read this one, it's shorter. "I think there is very much a need for this. Not everyone has AAA or a cell phone." That hits home, especially in this economy.

ASSEMBLYMAN WISNIEWSKI: Sure.

MS. CICCONE: We'll continue. In the respective joint letter -- and I will come to a close very soon. In the respective joint letter from Captain William Robb and Sergeant Zito, I quote, "We believe that the service of the dedicated ESP personnel have saved the lives not only of those responders, but also the lives of the motoring public. Additionally, many incidents have been prevented by ESPs' vigilant patrol, actions such as debris removal and their relocation of stalled or accident-damaged vehicles from the live-travel lanes." Obviously, we concur with their statements.

We ask for you, again, to make sure that this program stays in existence.

I personally thank you for listening. I also have tons of other letters, but I want my guys to speak.

Thank you.

ASSEMBLYMAN WISNIEWSKI: Thank you.

S T E V E S H A R P: Good afternoon.

My name is Steve Sharp. I'm a dispatcher -- Public Safety Telecommunicator, as referred to earlier by Lisa.

I come today to speak about the Emergency Service Patrol, ESP.

ASSEMBLYMAN WISNIEWSKI: Can I just-- I would appreciate it, to the extent you can, if you have written remarks -- if you could just summarize them. Because I have a dozen people still here who need to speak.

MR. SHARP: Okay. No problem.

How -- I want to explain -- it is that the ESP is the first responder. I get calls continually about incidents where roads are closed, lanes are closed, there's some type of emergency situation -- be it medical, be it a vehicle broke down, a vehicle crash, whatever. I get the calls, I dispatch the State Police, I dispatch emergency medical if needed. These guys are already on the scene. They're the ones calling us and telling us what's going on out there, what we need out there. It's important to know that these guys are really one of the first responders in most incidents. They're really like the unsung heroes of the highways.

If you speak to the State Troopers who are in their areas of service, they can't stop singing their praises about all the times they helped them when the lanes were closed or whatever might happen.

You heard a lot about the vehicle breakdowns. There are other things done by them. I can't tell you how many times they've removed couches, car parts, children's playhouses from the roadways in lanes that are being used by motorists at the time. I can't tell you how many times they call us with an abandoned vehicle which is, I understand, mandated under the Homeland Security Act on the interstates. They call them into us, they give us the information. We check to see if there are (indiscernible) warrants or if the vehicle is stolen. Get the guys off the road, get the cars back to their owners. A lot of different things they do.

It's not just the motor (indiscernible), it's not the abandoned vehicles, it's not just the traffic control and the debris removal, it's-- And Dante here is a friend of mine. He'll tell you about one incident he had on the roadway. But this is just one of many.

Just to sum this up, I just want to tell you that these guys are the first responders. These guys are really the guys that we need out on the roadway. They're saving the State a lot of money just being out there. Because if they weren't there and we had these vehicle breakdowns, the State Police would be answering them. If we had cars stuck in lanes, the State Police would have to go and answer to them. If we had debris in the roadway, the State Police would be out there. The State Police get at least double their salary. So would you rather pay those salaries, or would you rather pay these salaries? And the fact that they're offset with Federal government moneys, I don't see the reason behind doing away with the ESP.

That's all I have for you today. I'll introduce you to Dante.

ASSEMBLYMAN WISNIEWSKI: Thank you.

Dante.

DANTE SCOLERI: Good afternoon.

I'd like to thank the Committee for allowing me to speak. I'm representing ESP -- all 90 of us -- north, south, and central.

This a little rough. I'm the guy who's out there doing the work. I'm not usually speaking in front of a panel.

On April 20, 2006, I had the opportunity to save someone's life through ESP. I was patrolling and came up on a vehicle. The gentleman had stopped breathing. We administered CPR and saved his life. That

happens countless times on our highways. ESP personnel are out there patrolling, roaming.

The Commissioner made a statement that we ride around and do nothing. That's untrue. We ride around and our eyes are always open. We see abandoned vehicles, we see vehicles in the lane of traffic. We move the vehicle; it's now off the roadway. Any time you have a vehicle on the roadway as a fixed object, it creates a major hazard.

I'd just like to say in reference to outsourcing or privatization-- Most of your private operators are 90 minutes and more to come out and respond. Our time limit, if your on one of our roadways within our region -- South region -- is 20 minutes. We have roamers and we have patrolmen who go back and forth. You should sit no more than 20 minutes. The Commissioner said he sat for an hour. I find that hard to believe unless it was in between the shift change. And he would know the time of a shift change. And he had the opportunity to call to dispatch -- Cherry Hill headquarters, or wherever he was at. I find it hard to believe he sat for an hour.

Also, I'd like to just make a statement that there have been times when I came up on motor vehicles, and the people have told me they called AAA. AAA is now -- they will call our dispatch and dispatch us to the stop where the person is disabled. So, therefore, AAA is taking the money, but we're doing the service. That is going on right now, and that is a problem that has to be addressed. Whether it's being addressed through the State or -- how it's going about it, I don't know. But there are a lot of issues here as far as outsourcing and privatizing. It's costing-- It will cost-- The taxpayers, right now, are getting the service for free, basically. But

when you outsource it, now you're paying for a tow truck, you're paying to get your car off the road. You're causing the taxpayer more expense. This service is one of the opportunities the State has to show the citizens of the State of New Jersey, "This is a program we have for you, to your service." We're providing the service for our residents, our citizens of the State of New Jersey.

ASSEMBLYMAN WISNIEWSKI: Thank you.

Assemblywoman Watson Coleman.

MR. SCOLERI: That's all I have.

ASSEMBLYMAN WISNIEWSKI: Thank you.

ASSEMBLYWOMAN WATSON COLEMAN: I found the information, as it was shared with us here and before regarding the Emergency Service personnel, very illuminating. I had no idea.

Two questions: What is the vehicle that you drive in? How is it distinguishable? And the other is: Are you on non-toll roads, or are you on the Parkway, and the Turnpike, and Atlantic City -- just non-toll roads.

MS. CICCONE: Major state arteries.

MR. SHARP: No, the Atlantic City Expressway has an Emergency Service Patrol system of their own. I'm not sure of their function -- if they pay for it or not. We patrol State highways. It will be State-- They're listed on our cards -- our response cards.

ASSEMBLYWOMAN WATSON COLEMAN: Non-toll roads.

MR. SCOLERI: It's the interstate highways: 295, 76, 676.

ASSEMBLYWOMAN WATSON COLEMAN: And what are you in? What are you driving?

MR. SCOLERI: We drive F250s, utility body trucks. It's a pickup truck.

ASSEMBLYWOMAN WATSON COLEMAN: I mean, are they yellow, DOT? What are they?

MR. SCOLERI: They're white and marked red and white with New Jersey DOT on the side of them.

MR. SHARP: Clearly marked.

ASSEMBLYMAN WISNIEWSKI: Assemblyman Prieto.

ASSEMBLYMAN PRIETO: Chairman, just a comment. And I actually -- when they referred to -- on the report, Page 42. I actually just looked at it. And these are the things I find troubling when you do things like this. You don't equate -- and you equate \$12.3 million that are totally funded, and then I hear that it's maybe two miles of paving roads. Then I hear a story about somebody's life getting saved in 2006, and God knows how many more. You can't -- you have to see that it makes-- It says here that the recommendations -- DOT should dismantle this program immediately and cease -- and giving it out to private-sector roadside assistance entities. Cease competing, right. And it doesn't make sense.

So these are the things that, when you look at this-- And that's why we need comments like yours, because obviously this is a worthwhile program. And you sort of educated me of where the roads are when you gave -- they're up by me -- north. So I just want to thank you for enlightening me also.

MS. CICCONE: Thank you.

ASSEMBLYMAN WISNIEWSKI: Thank you.

Any other questions from the Committee?

Assemblyman.

UNIDENTIFIED MEMBER OF COMMITTEE: Dante, tell me your hours.

MR. SCOLERI: I'm sorry, sir. I've been with ESP -- let me go back here a little bit -- for 10 years. I've worked Thursday, Friday, Saturday, and Sunday for the past 10 years from 10:00 a.m. until 8:30 p.m. That's the weekend in the southern region.

UNIDENTIFIED MEMBER OF COMMITTEE: The Commissioner alluded to the fact that the coverage isn't 24 hours. Is that true? Is it not 24 hours?

MR. SCOLERI: No, coverage is not 24 hours. And I believe that--

UNIDENTIFIED MEMBER OF COMMITTEE: But it's seven days a week, right?

MR. SCOLERI: Excuse me?

UNIDENTIFIED MEMBER OF COMMITTEE: It's seven days. Because if you're working a shift like that--

MR. SCOLERI: Only in the southern region though. They just downsized, and we're the only region that still has the weekend coverage.

MS. CICCONE: It's fragmented.

MR. SCOLERI: There's a unit -- a 10-hour unit.

ASSEMBLYMAN WISNIEWSKI: Let me just jump in here, because we do have to move it along.

But you were just downsized? The program was downsized?

MR. SCOLERI: I wouldn't say downsized.

ASSEMBLYMAN WISNIEWSKI: Let me rephrase the question. In response to the Assemblyman's question about is it a 24-hour program, you said no. And then seven days a week, you said, "Well, in the southern area it is." And then you said something about down-- Had it been seven days a week statewide until recently?

MR. SCOLERI: At one point there was -- the crews were-- How can I explain it. There are two different types of crew. You have your 8-hour employee, and you have your 10-hour. For the past 10 years, I've been a 10-hour employee, work four days a week. So they take those 10-hour employees and work them Thursday, Friday, Saturday, Sunday; or Saturday, Sunday, Monday, and Tuesday, with Wednesday being the middle day. They just now, in the -- well, recently in the northern and central units -- divisions -- dismantled the weekend crew because they didn't have the manpower to correctly operate it.

ASSEMBLYMAN WISNIEWSKI: All right. So the answer is yes, they just recently downsized.

MR. SCOLERI: I wouldn't say *downsized*. They kept the employees. They just integrated them within--

ASSEMBLYMAN WISNIEWSKI: Downsized the service. The service is now not seven days.

MR. SCOLERI: Correct.

ASSEMBLYMAN WISNIEWSKI: Any other questions?

UNIDENTIFIED MEMBER OF COMMITTEE: I'm still trying to get my hands around it. Is this fully funded by the Federal government or not? I mean, I hear conflicting stories. If they, say, did

away with it, they're going to save -- how are they going to save \$10 million or \$12 million if--

UNIDENTIFIED SPEAKER: It's not my area of expertise, but from what I've read--

ASSEMBLYMAN WISNIEWSKI: Can you try and get us that information? I don't--

MS. CICCONE: I have some information.

ASSEMBLYMAN WISNIEWSKI: I don't want to be a pain, but I was just informed that at 2:00 another group of Assembly members are going to come in to use this room. They're going to be upset that we're sitting in their seats. So I need to move it along.

UNIDENTIFIED SPEAKER: The Federal government allows approximately \$12.3 million. There's a little over \$1 million, to my understanding, that's used from the State, and that's for fuel costs and some hand tools cost.

MS. CICCONE: For equipment.

UNIDENTIFIED SPEAKER: That type of thing.

ASSEMBLYMAN WISNIEWSKI: If you could supply us that information that would be very helpful.

MS. CICCONE: That's fine.

UNIDENTIFIED SPEAKER: It's about \$12.3 million. And there's nothing that I could find that said that this \$12.3 million would be available to the State any other place, if we weren't using the Transportation Highway Funds someplace else.

ASSEMBLYMAN WISNIEWSKI: Thank you.

Thank you very much for your testimony. We appreciate it.

MS. CICCONE: Thank you.

ASSEMBLYMAN WISNIEWSKI: Next, I'd like to call up Lizette Delgado, Director of SEIU State Council.

UNIDENTIFIED SPEAKER FROM AUDIENCE:
(indiscernible)

ASSEMBLYMAN WISNIEWSKI: Okay. You don't look like Lizette Delgado. (laughter)

B O B A N G E L O: Thanks.

My name is Bob Angelo. I represent SEIU State Council. I want to spend just a second on the recommendation to allow the auto emissions testing to be done in private garages.

SEIU has represented the motor vehicle inspectors in New Jersey since they were organized -- well, not -- actually since the '50s. We went through the transition to the Parsons Corporation under the privatization of 1997, during the Whitman Administration. We currently represent the employees of Parsons, as well as about 250 motor vehicle monitors and other personnel.

We just want to state for the record that we absolutely disagree with the recommendation to force motorists to go to a local garage or dealer to have their emission testing performed. We have always maintained, we continue to maintain that there's a conflict between someone who is doing an inspection and may potentially be doing the repair. The motorists of New Jersey, in our view, should have the absolute right to go to an independent evaluation -- whether it's emission testing or, in the past, safety inspections. If they choose to go to a garage, that's their choice. But we think it's absolutely essential that the State continue to offer motorists a

service which they've already paid for, through their car registration, to have their emission testing done at a central station. That emission testing is now available, of course, at the Parsons stations. And we urge the Committee to look closely at any recommendation that would change the current system.

One hundred and twenty SEIU members lost their jobs when the Legislature voted to eliminate mandatory automobile inspections. More of our jobs are at risk if this recommendation would be followed. But we certainly strongly advocate that there has to be an option for motorists to go to an independent testing center like the ones that are currently operated by Parsons.

ASSEMBLYMAN WISNIEWSKI: Thank you, Bob.

Any questions? (no response)

You're good. Thank you.

MR. ANGELO: Thank you.

ASSEMBLYMAN WISNIEWSKI: I'd like to next call Fran Ehret, IFPTE Local 194 President; Marc Fluet, if he'd like to come up with you. You're all from IFPTE, so we're going to get you all at once.

Jim Fragé and Frank Forst, IFPTE Local 194.

F R A N K F O R S T: (speaking from audience) I submitted some written testimony. I would have elaborated on it, but since everybody's already left, I'm going to pass.

ASSEMBLYMAN WISNIEWSKI: So we'll just take your written statement. No need to testify.

Thank you, Mr. Forst.

Fran.

FRANCELINE EHRET: Thank you, Mr. Chairman, members of the Committee.

I appreciate the opportunity to sit here before you today.

As Assemblyman Wisniewski said, my name is Fran Ehret. I'm the President of the New Jersey Turnpike Employees union. I represent all the tolls, maintenance, trades, technicians, part-time and full-time toll collectors on the Turnpike.

There was an awful lot said here today, and I'm not going to drag you through all my comments that I was going to make. But there are a few that I think need to be pointed out.

The Turnpike is the most important heavily traveled road in the entire Northeast. And it is the main artery connecting New York, Philadelphia, Boston, and Washington, D.C. It was Chris Christie, when he was the U.S. Prosecutor, who originally said that the Elizabeth Corridor of the New Jersey Turnpike is the most dangerous piece of roadway in the country. And this was reiterated by Michael Chertoff, who used to be the Director of U.S. Homeland Security. And this is because of its proximity to Newark Airport, our ports, chemical facilities, chlorine tanks, storage tanks on the side of the road, and so forth. If this area was attacked, it could kill millions of people.

The Turnpike does intensive background checks on its employees, the State Police does background checks on our employees. We don't know if a private operator would do background checks on our employees or the private workers that they would be hiring. And post 9/11, I think to be privatizing our infrastructure and something as important as the New Jersey Turnpike is putting our whole state at risk. And I think

that's something that really needs to be looked at and taken very seriously. Our toll collectors and maintenance workers are trained eyes and ears, very familiar with who belongs there and who doesn't.

The chairman (*sic*) originally said earlier, I think, that our workers don't do guide rails, and line striping, and so forth in the maintenance department. I wanted to clarify that, yes, they do. In addition to that, they do the majority of the maintenance work out on the road. The esprit de corps of our maintenance and office workers who plow the snow is well-known throughout the region. Our motto is: Clear and Dry. And when there is a snow or ice event, everyone knows the Turnpike is the road you want to be on. That is because we have a very qualified, in-house staff who are there to respond right away to all snow and ice events. And there's no lag time. You don't have to wait for contractors to get there. Our people are there. They respond right away.

The Turnpike and the Parkway are both designated evacuation routes. There was a legislative hearing earlier this week where legislation was discussed and voted out of committee that would help ensure these evacuation routes are more effective. I think putting evacuation routes in private hands is something that we should not be doing.

I just want to make a point. Dick Zimmer -- Congressman Zimmer was quoted, I think last week, in the *Philadelphia Inquirer* as saying all our toll collectors do is make change. We take umbrage with that. It's the most dangerous place in the world to make change. Most of our toll plazas were built 50 years ago with the intent that every vehicle would stop and pay a toll. They're not that wide. There are about six or eight inches of clearance on either side. When vehicles are flying through at 40 miles an

hour -- these trucks and buses -- they roar when they come through. Your whole toll booth shakes. And you're just wondering: Is today the day that it's going to come right through you?

A couple of months ago, Fay Stoddard (phonetic spelling), who is a toll collector at the northern end, had her booth hit. It was flipped backwards. All of the equipment came crashing down on her. They had to rip off the bottom of her toll booth to get her out. She was injured. She's, thankfully, back to work now. But it's a very dangerous place to work. And our toll booths get hit all the time. The windows get busted when trucks come through, and buses, and hit the mirrors and glass comes flying down on them. People stick guns in our faces and rob us. We have absolutely no protection out there for robberies -- the State Police can't be everywhere -- and we're frequently robbed. And our employees are constantly putting themselves at risk where they sit.

And if you look at the Turnpike Commission's report every month, there is a report by Troops D and E that they submit to the Commissioners that talk about all the criminals who are running around out there on our toll roads. There are people with guns, there are kidnapers, there are drug--

So we're out there. It's the main artery -- people going up to the City and Philadelphia -- drug runners are using it. And our workers are constantly confronted by road rage. We try to deal with these situations as best we can. There's a hearing today on road rage somewhere in this building. I heard that on my way in today -- and about making sure that road rage -- when people are hit and struck by vehicles, that it's a higher crime. I think it was sponsored by Assemblywoman Linda Greenstein.

So I think that we get paid fair wages. We get a living wage. New Jersey is an expensive place to live. I think a lot of what you heard here today was to depress the wages and benefits of the workers. And that's something, in this economy, we really can't afford. Outsourcing and privatizing is going to put people out on the unemployment line at a time when so many people are already struggling and out of work. And we're just middle-class people here trying to earn a living, not hurting anybody.

I want to make a couple more points, and I apologize. I'm going to try to rush through it as best I can. But this idea of cashless tolls that the chairman is talking about doing-- I want you to-- This is a very important point.

ASSEMBLYMAN WISNIEWSKI: You mean the Commissioner.

MS. EHRET: The Commissioner. I'm sorry, Mr. Chairman. I apologize.

ASSEMBLYMAN WISNIEWSKI: I just realized that there are people listening over the internet, and I don't want them to get it wrong.

MS. EHRET: You're right. I apologize, Mr. Chairman.

A tractor trailer that gets on at Interchange 1, goes the full length of the Turnpike, it's \$32. Every time one of them runs the Turnpike it's \$32. That's a significant amount of money. In 2009, the Turnpike lost \$17,547,505. That's how much money people ran through the Turnpike alone. Now, chasing that money down trying to get it back, they got back about \$8 million on just the Turnpike. So they didn't even get half their money back chasing down the people who ran the lanes on the Turnpike. On the Parkway, they lost \$11.5 million, recovered about almost \$5

million. That's a net loss for 2009 of more than \$16 million, because they didn't have people in those lanes to collect the tolls. That's because we've automated, and people are running the E-ZPass lanes. Now, that doesn't include how much it costs to chase that money down and hopefully get it back. At the end of every single day, our toll collectors are collecting cash. You have cash at the end of the day. That's money you could leverage, that's money you could gain interest on. You're not gaining interest on money you haven't found yet that you have to go chase down and hope you get back. And you don't have to fight somebody in court and everything else you have to go through to get that money back. So I think that's a very important point to make when we talk about cashless tolls.

The Privatization Task Force also recommends merging our maintenance department with the DOT and then privatizing that. I just want to point out that this would result in a serious deterioration in both the Turnpike and Parkway. We will have to compete with other State roads as to what projects get done. How is that fair to toll payers? Who is going to prioritize whether it's 287 that's getting done, or 295, or the New Jersey Turnpike? The toll payers are paying a toll, and they're expecting that that road is going to be maintained. Who knows what kind of standards they're going to maintain. Who is going to oversee all these roads? I think we're creating a monstrous transportation department and a bureaucratic nightmare that could put the public safety at risk.

Mr. Zimmer is not accurate, as I said before, about the guide rails and line striping. I don't want to-- We do both of those things well.

And on the Turnpike and the Parkway-- If you're going to privatize work, you're going to have to pay prevailing wages. That's the

law. So how much are we really saving? What are we talking about here? I don't think the report is accurate in the amount of savings that they would get. We all know about the E-ZPass debacle and how WorldCom went out of business, and they lost millions and millions of dollars. And I don't think we can afford to put our transportation infrastructure at risk. This is a vital artery for the whole Northeast region.

And in conclusion, I just want to thank the Committee for having this hearing today, giving us this opportunity. We would appreciate that you don't support the outsourcing and privatizing of jobs, and this race to the bottom, as Eric Richard originally spoke about.

We have always worked with the administration when they had a problem. I heard them talk about flexibility, and their inability to do things, and inability to move workers and so forth, and things that are encumbering them to get the job done. I want to tell you that no one has come to me and said that. No one has come to me and said, "Hey, Fran, we have a problem. We need to do something. We can't get something done." We have not had that discussion. Whenever we have gone to the bargaining table and management has asked us to help them solve a problem -- whether it was in negotiations or in between -- we have always sat down and tried to come up with reasonable solutions to try to work out their issues. Now, the Turnpike is 122 miles long. I don't think you'd want to send a toll collector from Exit 1 all the way up to 18W. But within certain ranges of miles, they can move them around. We have those kinds of rules. So I'm not really sure what they're talking about when it comes to that.

Thank you.

ASSEMBLYMAN WISNIEWSKI: Thank you very much.

Whoever wants to go next.

J I M F R A G É: Good afternoon, Mr. Chairman and members of the Committee.

My name is Jimmy Fragé. I'm 39 years old. I've been working at the New Jersey Turnpike Authority for the last 16 years in the capacity of toll technician/coin machine specialist, and I'm currently in the position of System Technician.

Our job entails dealing with the State Police, installing everything in the vehicle from cameras to the MDT, which is the motor data terminal -- which is the computer -- from the printers. We do camera security -- every- and anything that deals with electronics we're responsible for. And if you would just unclog your ears -- I know you heard a lot of testimony today. I just hope and pray that you -- this sinks in, what I'm about to share with you.

I'm talking from the heart and I'm talking in the capacity of what we do. We're at the bottom, and a lot of times we're not heard. The first example I want to share with you in regard to why privatization, as far as I'm concerned, doesn't work.

I tend to sense that we lose sight of people. I've heard politicians talk, I've heard budgets, I've heard saving. But I've yet to hear -- what about the people who sit behind the positions that they're talking about eliminating? As a systems technician, the first incident I want to bring out is the new Interchange 1 on the New Jersey Turnpike that was done under the Administration of Governor McGreevey. They hired an outside contractor to do our work, as far as running data cables, which is

network for computers. They hired an outside contractor to run telephone cables. And what happened was, there was a deadline placed by the Governor on when he wanted to open the plaza for the ribbon cutting. I don't know if you remember that. When that deadline was placed, the contractors could not meet that deadline. And a lot of times, when they do contracts, they may add different things on which will cost more money, because certain things weren't taken into consideration -- one of which was telephones in the elevators which exist at Interchange 1.

Well, we were asked to come in and bail out the contractors who couldn't complete the project. We went in, and within a two-week span we were able to run over 5,000 feet of cable. Mind you, over the last five years we've lost about seven technicians. But we're still placed in a position to follow through and come through when we're called upon. And we did complete the job. We ran the cable, we mounted the telephones as was requested. And, again, there's a difference between bringing someone outside into your home as opposed to you taking care of your home. And we all know no one can take care of your home better than you can.

The next example I want to talk about is State Police. The State Police involves, for us, complete installation. What they did was, they brought in an outside contractor to install complete installation-- Now, we're only talking about the computer now. Like I said, with the State Police, we're in charge of computers, the SPEN radio, the maintenance radio, the camera, the DIVR (*sic*), the printer, and the thermal printer which they use to print tickets in the vehicle.

What happens is this: They hired Winner Ford to do 14 or so vehicles. It was an astronomical amount of money they were asking to get

the job done. What they did was, they asked us to go and see if we could do the job. Of course we could. I went to school at DeVry. We're all qualified. We have our diplomas in electronics. And we've been, since then, doing complete installations for the State Police.

And something else that's very important when you're dealing with the State Police -- in their safety, in the safety of the motorists that drive the Turnpike -- is this: Because we're on-site, and because they have constant issues with different aspects of the equipment in the vehicle, it is so convenient for them to drive into our garage, say they have a problem, and within 30 minutes they're back out on the road. The response time is also an issue. When you privatize the State Police, the people dealing with the public, a 24-hour turnaround is not good enough. It has to be done immediately. There are times there is a Trooper who is going out on a call because they're on a chase. Their camera is down. They come in -- pull right in, and we fix it. They're back out in 15 minutes. They're able to assist and potentially save someone's life.

And the last thing I want to bring out is Interchange 6: again, hired an outside contractor to do complete installation of the camera system which is used to monitor things that are happening, whether it be an accident or the toll collector's safety. And they hired a contractor. Again, they weren't able to complete the job when they expected to open the plaza. So, again, they called us. Although we're short-manned, we take pride in our home. And that's what I want to stress. When you privatize, it's not the same as someone that's living within the establishment of the New Jersey Turnpike. And we followed through and completed the task of putting the cameras in.

And mind you, there have been a lot of different plazas that have been outsourced where they have done the cameras. Plaza 6 is the only one that is still fully operational, where all the others that have been outsourced -- they fall by the wayside.

That's all I have to say.

ASSEMBLYMAN WISNIEWSKI: Thank you. Thank you for your testimony.

MARC FLUET: Good morning, Mr. Chairman and Committee.

First, let me thank you for allowing me to address you today.

My name is Marc Fluet. I'm a New Jersey licensed electrician. I've been working on the Turnpike for 19 years now. Prior to that, I worked as an electrician in the private sector. I'd just like to briefly speak with you on the downsides of privatizing, and share with you experiences that I've had with working with outside contractors on the Turnpike. I just want to touch on four quick points.

Number one: cost-effectiveness in keeping in-house tradesmen. Number two: the quality of work performed by in-house tradesmen against outside contractors. Number three: the qualifications of in-house tradesmen over outside contracting firms, employees. And lastly: the response time of in-house tradesmen over outside contracting firms.

I have some information that might be technical. If I'm not clear, please ask me to elaborate. And also, because I've been working on the Turnpike for so long, I certainly -- and we don't have much time here -- I certainly couldn't reference all the experience I've had. So I've just chosen a quick, representative few to illustrate my point.

The first one has to deal with the cost-effectiveness of keeping tradesmen in-house. In 2004, a contract bid was put out to put up 223 roadway lighting poles that had been knocked down in traffic accidents. Now, traditionally this work was performed exclusively by Turnpike electricians. A number of tradesmen approached the Director of Maintenance, who at that time was Dan McNamara, to inquire why this decision was made. At that time our shops were running about 33 percent less workers than when I had been hired, mostly due to not filling positions when tradesmen retired. They said that this would be a one-time contract to catch up because we were understaffed. And we asked them if we could do a cost analysis on how much work -- how much money it would cost us to do it on overtime. And we assured him that we could significantly come under whatever price would be bid by an outside firm. We figured that the total job for the Turnpike employees to produce the job on overtime would have been \$570,000 compared to the lowest contracting bid of \$1.1 million. So it would have cost the Authority about half the contractor's bid price to keep that job in-house. The job was still performed by an outside firm in contract R1473. And the reason why that was done was because Mr. McNamara stated the money was available in the capital improvement budget or construction budget and not in the roadway maintenance budget, and that the funds couldn't be transferred. But the point stands that privatizing and outsourcing services are not necessarily synonymous with saving money. As a matter of fact, right now our electricians are currently installing new, uninterrupted power supplies for E-ZPass's mainframe computers at all of our interchanges, because the Authority realized the significant cost savings after soliciting estimates for the project.

I'd also like to address the quality of contractors' work versus in-house tradesmen. And I could reference that pole installation project. A great number of those poles put up during that contract didn't even work. Some of the wiring coming up from manholes feeding those poles were damaged. And although it would have taken less than a half-hour for the contractor to repair those wires, the contractor left those poles inoperable. Also, there were a number of defective splices that were made that left others inoperable. A large punch list was generated by a Turnpike trades supervisor, finding 20 percent of the poles either inoperable or violating Turnpike construction specifications. The contractor didn't return to repair or complete his work. And we went out on straight time to get those poles operating.

In the 20 years I've been there -- almost 20 years -- I've seen manhole fires caused by improper waterproofing of splices. I've seen building transformers burn because of improperly torqued connections; important fire safety components and our HVAC system bypassed rather than being replaced; emergency generator transfer switches not functioning because they were not properly wired; expensive sewer injector pumps burn because of improperly wired control circuits; HVAC control components burn because of insufficiently sized wiring. There are many, many examples of poor work, that are really too numerous to mention, that we've repaired after the contractors have been paid and gone.

Now, I'm certainly not saying that all contractors perform shoddy work. I've seen excellent work done by outside firms. But what I am saying is that the faster the job is completed, the higher the profit margin; the cheaper the materials used, the higher the profit margin. And

that really creates a real temptation for contractors to cut corners any time they can. And I've seen that done many times over the last 18 years.

Thirdly, I'd like to just compare the qualifications of our in-house tradesmen and those of outside contractors. Traditionally, most contracting firms have one license holder. And he's the most qualified man in the company. But his main focus is generally on running the business. In the field he'll have a supervisor, a foreman maybe, some journeymen, and some apprentices who are actually performing the work. Yet the majority of maintenance electricians employed by the combined Turnpike Authority and Parkway are licensed electricians. And the majority of those who aren't have gone through a federally approved Department of Labor apprenticeship program and received their journeyman certification. Right now, we have one apprentice currently in that program. So on any given job, our electricians are actually more qualified than the average contractor's employees. Not only that, but many electrical contractors specialize in one or two areas of the industry while Turnpike electricians who have worked there for a long period of time are familiar with all aspects of the--

ASSEMBLYWOMAN STENDER: Can you wrap up? Because we're really starting to run out of time.

MR. FLUET: Oh, I'm sorry. Okay.

You know what? Let me just say this: The scope of our work is huge, our response time is phenomenal, we respond to emergencies continually. Contractors don't have the same response time that we have.

And lastly-- It's a shame. I have a lot of information here. But lastly I just want to say this -- and this is going to sound corny and melodramatic -- but I love my job, I love the Turnpike, I love my coworkers.

I've had a great-- I've met a great many talented, interesting people. It's been like a big family with this job. I've purchased my house in a safe neighborhood, raised my three wonderful boys with my health benefits. They paid for my eldest son's medical bills. He's a juvenile cancer survivor who turned 24 this year. And without this job, I could have never paid any of those medical bills, and I probably would have lost everything. I've always been grateful to the Authority for my job, and to the State. And because of that, I give it my best. It's my family's hope and my prayer that I'll still have the privilege and the pleasure to continue working for the Authority.

And we appreciate your consideration and any help you could give us in this matter.

Thank you very much.

ASSEMBLYMAN WISNIEWSKI: Thank you.

Thank you, all three of you, for your testimony. We appreciate it very much.

Eric DeGesero, Fuel Merchants.

Thank you, Eric.

ERIC DeGESERO: Thank you, Chairman Wisniewski.

Eric DeGesero, Fuel Merchants Association.

You've spent the last three-and-a-half hours discussing recommendations in the report for ways that -- for the State to do things that it currently does better, cheaper, faster. And there's been a lot of discussion as to whether or not the way to do it is the way it's done currently or possibly another way.

I'd like to discuss something that hasn't been discussed, and it's a recommendation in the report that is actually going to get the State into something it currently doesn't do and, quite frankly, doesn't need to do. And that has to do with commercialization of rest areas or the commercialization of the rights-of-way on the interstate highway system in the state.

Since 1960-- The Federal Interstate Highway System comes into being in the late '50s. Since January 1, 1960, there's been a prohibition in Federal law for there to be any commercialization of a rest area along an interstate highway system. Exempt from that are toll roads, which is why you see them on the State roads, as well as the fact that the State roads predated it. And any other -- such as the one on Route 95 in Baltimore -- just north of Baltimore, the Chesapeake House -- predated the establishment -- or the prohibition in the Interstate Highway System.

The proposal here is to have the government get into the business of creating commercialized rest areas along the rights-of-way, and then lease them out to a business to run. Unfortunately, those businesses -- there's generally two of them. One of the two, that runs the Parkway, the Expressway -- Atlantic City Expressway -- and Turnpike, is HMS Host. And it's business-- It isn't the local restaurant or the local gas station that has put decades of not only financial equity, but sweat equity into their properties at the interchanges that are going to be impacted -- that they're not going to be the individuals running those entities along the rest stops.

Currently, there are about 2,000 -- a little under 2,000 exit-based businesses in the state employing nearly 20,000 people and paying

over \$14 million in local property taxes. What's going to happen to that investment when the State comes in and competes with it?

I have also provided a study. Some suggest that the reason -- a reason to do this is safety. Truckers, as you may be aware, have to live within certain hours of service regulations of the Federal government; and that maybe this would allow for more parking spaces for truckers to have rest areas. I've submitted a report from the National Association of Truck Stop Operators, NATSO, that did a comparison in the 14 states that have commercialized rest areas against the rest of them -- the rest of the states in the country that do not, showing that on a per-mile basis there was actually more truck rest areas -- more parking spaces for trucks in states that do not commercialize the right-of-way, because there's an incentive for business to get involved. And the government gets involved and gives -- was able to have the choice real estate handed over to somebody. It's sort of a disincentive for a private entrepreneur to get involved.

Lastly, specifically the recommendation in the Task Force requests -- or suggests that the State should petition the Federal Highway Administration for a waiver to participate in a pilot program. There is no such authority under current Federal law to do such. There is no pilot program specifically at 23 U.S.C. Section 111. It is prohibited. I've submitted a letter from Chairman Oberstar of the U.S. House of Representatives Committee on Transportation and Infrastructure explicitly reiterating that fact. And actually, the current FHWA Administrator Victor Mendez sent a letter to Arizona Governor Jan Brewer in June reiterating this fact; so that actually the recommendation in the Task Force isn't even legal. There is no provision under current law. There have been, certainly,

a number of instances where Congress has looked to repeal this, and that is the only way there can be a new commercialized right-of-way on an interstate -- is for Congress to change the law. The specific recommendation in this report is not -- does not comport with existing law.

ASSEMBLYMAN WISNIEWSKI: How easy do you think it is to change the existing Federal law?

MR. DeGESERO: How easy do I think it is? Well, it's been tried a number of times.

ASSEMBLYMAN WISNIEWSKI: Has it?

MR. DeGESERO: Yes, we-- Congressman Frank Wolf, from Virginia, is the chief proponent of wanting to allow commercialization of rest areas. And every time there is a transportation bill, he looks to have an amendment to it to allow it. And lots of small businesses fight the amendment every time that it comes up.

ASSEMBLYMAN WISNIEWSKI: Thank you.

MR. DeGESERO: Thank you.

ASSEMBLYMAN WISNIEWSKI: Thank you for your testimony.

I'd like to next call up -- if they don't mind sharing the table -- John Costa, ATU Chairman; Dan O'Connell, UTU.

Whoever is ready can start.

J O H N C O S T A: Good afternoon, Chairman, Committee members.

I'm going to make this short. I know you're short for time.

I listened to the Commissioner's comments, I should say, and it sounds like we're being taken for a ride. Me being from the bus area, I like to use that line.

But it's been the ATU's experience that mandated privatization of public transit through competitive bidding serves to reduce the standard of living for workers and diminishes the transportation service provided by the communities. ATU's priorities on this issue are simple: One, we always strive to protect the jobs of our members who continue to provide the safest, most reliable, and cost-effective service. Two, we seek to ensure that the potential cost savings are properly measured and weighed against potential adverse affects on safety and services.

Many times when transit agencies in the U.S. fall into financial difficulty due to declining ridership, increased fuel costs, and a decreasing tax base, privatization proponents come forth with outrageous claims about how others have saved money by contracting out bus services. Such claims are based on discredited economic assumptions, substandard wages, and a mythical notion that private firms will respond to competitive market pressures and provide better services at lower costs.

A report issued by the Federal Transportation Research Board has dispelled this myth. For those agencies that do contract out their bus work, the report found that that privatizing transit services resulted in fewer, rather than more, bidders. Cost savings, moreover, were far slimmer than projected, and they decreased over time. Also, nearly 40 percent of those transit properties that do contract out report that service quality and customer service -- is a negative impact, on privatizing services.

Safety, maintenance concerns, and high employee turnover all contribute to this negative impact on service quality when services are privatized, the report notes. Transit privatization often backfires as big

companies deliberately low-ball initial bids and then start jacking costs up after they have eliminated the competition.

Comparing public transit with private service can be deceptive because it often ignores the capital investment in the public system, adds to the cost of monitoring private firms and ensuring that the level of service is maintained, and savings often disappear. Experience shows that expected savings from forced privatization have not materialized and, in fact, the opposite is true.

We have materials for the Committee to consider regarding numerous Transit privatization schemes across the nation that have failed miserably. I notice they mentioned something about Indianapolis, saying that it was a model or something for privatization. I just wanted to quote -- just do a quick quote in the *Indianapolis Star*. "Route 31 was handed over to Ryder/ATE with no rider input. Buses were purchased at a cost of \$130,000 as opposed to \$250,000, the cost of an IndyGo Bus." And this is a quote: "We have survived months of riding buses with no air conditioning, back doors and bells that don't work, and exposed wiring. These buses have regularly broken down or have been pulled off the route for every imaginable problem. No matter how many times we call, none of these problems have ever been solved." I have more articles like this for you.

Thank you.

ASSEMBLYMAN WISNIEWSKI: John, I'd love to see them if you could provide them to the Committee Aide.

Dan.

DANIEL J. O'CONNELL: Good afternoon, Chairman, members of the Committee.

I will be brief at the suggestion of the Chairman.

My name is Daniel J. O'Connell. I'm the New Jersey State Legislative Director for the United Transportation Union. The UTU represents rail and bus employees. We represent more than 1,000 rail employees at NJ TRANSIT.

We would like to first state to this Committee -- and many of you may already know this -- NJ TRANSIT was created due to the terrible state of bus and rail transportation when it was in private hands. While there's nothing in the Task Force's report that would affect our members at the rail, we do note statements in the Task Force's report that, due to time constraints, there may have been other privatization initiatives that they just didn't have time to consider.

Enclosed with our testimony you will note an editorial from the July 18, 2010, *Philadelphia Inquirer*. I'll just mention one quote which was critical, actually, of the privatization proposals. And I quote, "That's because the State already has some disastrous and relatively recent experience with privatization, much of it in the areas singled out by the Task Force."

There's no doubt -- and we've previously testified before this Committee -- of the terrible economic times in which New Jersey, the United States, and indeed around the world finds itself. We fear there are those who would use these dire circumstances to promote an agenda that would enrich some at the expense of others.

Finally, since today seems to be the day of the quote, in closing we would ask this Committee and the Legislature to look long and hard before privatizing various State services. There's an old adage that speaks of those who know the price of everything and the value of nothing. It would be a shame if in an effort to save taxpayer dollars we ended up costing them more and a poorer quality of life.

Mr. Chairman, I'd like to personally thank our brother and Assemblyman John Amodeo, and also Assemblyman Mainor for their comments about employees. Too often that downside of privatization isn't discussed. And you heard the electrician from the Turnpike. I worked in this industry for 36 years. I take a lot of pride in what I did. It's provided me with a wonderful life. But you know, a lot of these people who will be downsized -- they're residents of this state, they're taxpayers of this state, they're people who play by the rules. And to just toss them aside, I think, would be a terrible, terrible thing.

Mr. Chairman, thank you very much for the opportunity.

ASSEMBLYMAN WISNIEWSKI: John, thank you.

Dan, thank you. We appreciate your testimony.

Just one comment on what you said. Oversimplification sometimes makes for great sound bytes and can be terribly painful. Undoubtedly in every occupation there is someone you wish weren't in the occupation. But by far, you've got so many good people working for the State. And to have one person make a criticism of State employees because of a bad actor does a disservice, as you said, to the people who have been working hard for so many years and take pride in what they do.

I appreciate your testimony.

Next, I'd like to call Zoe Baldwin, Tri-State Transportation Campaign; and Rick Zitarosa, New Jersey Turnpike Supervisors Local 200.

Zoe, thank you for being here. You may begin.

Z O E B A L D W I N: Sure. Thank you for having me.

I'm going to keep this incredibly short, but hopefully touch on some points that no one else has really brought up.

I've been waiting all afternoon to say my quippy line, so I'm going to say it anyway. The Commissioner referenced privatization as a tool that we can use. But the thing that we really have to make sure is that there is a safety on this chainsaw. See, I was very excited.

ASSEMBLYMAN WISNIEWSKI: Wonderful. Good job.

MS. BALDWIN: All right. Tri-State -- we're remaining neutral on this conversation right now because there is absolutely no reference to the fiscal or customer service implications of these plans. If they haven't been able to come up with a figure for how much revenue they intend to get from privatizing our bus lines, they have absolutely not looked into the implications of allowing the service to be privatized. The private bus lines -- while I have ridden many of them, and they are a good service -- there are more problems. They are less regulated. They can raise fares as they please and they can change routes without as much notice. We need to ensure that, going forward, New Jersey has -- is able to ensure that we are offering the best and most cost-effective transportation service, but not at the detriment of people's mobility.

I think some of the main concerns that Tri-State has with this -- the transportation recommendations in the privatization report -- are that they really miss the real issue. None of these plans, especially the ones that

don't have price tags attached to them -- they are not going to change the fact or fill the gaps in the financing problems that we have in this State.

This is kind of silly, but it's like we're throwing deck chairs off the Titanic. The TTF is about to run out of money, and we're proposing plans that do not have -- have not been thought out and-- We have a spotty history with privatization. We shouldn't be jumping into things beforehand.

And then just to end real quick: We do need to change the way we do conduct business in New Jersey in transportation. There's no doubt to that. But you're going to go a lot farther -- we're going to save a lot more money in the long run if we're able to adopt a fix-it-first policy so we get on the good side of the repair curve. The longer we put off the maintenance, the more expensive it is.

Hit multiple goals at once: We need to set some actual goals and stop focusing on the numbers. Focus on shortening our commutes, making it affordable, reducing obesity, and reducing -- hitting environmental goals by reducing greenhouse gases. These are the goals that are going to move the State forward and lead us in the right direction; not by arbitrarily saying, "Hey, what happens if we get rid of some of our responsibility?" It's about the services we offer, and the usability and economic viability of our State -- not on downsizing arbitrary and, quite frankly, what's seemingly minutia within our transportation system.

So thank you.

ASSEMBLYMAN WISNIEWSKI: Zoe, thank you for your testimony. As always, I appreciate you being patient and waiting for this late hour in the day.

MS. BALDWIN: It happens. I hope you guys get lunch soon.

ASSEMBLYMAN WISNIEWSKI: Thank you.

We have no one else who has signed up to testify. I'd like to thank the members of the Committee who were able to hang with us. I know that other members have different committee obligations, so some of them had to leave early.

I'd like to thank Congressman Zimmer for staying and listening to all the testimony. I appreciate you listening to it. Hopefully it will help formulate some additional thoughts on the process of privatization in the State.

Ladies and gentlemen, thank you for being here.

Just to remind you, the Transportation Committee will meet again on Monday. At that time we will take up the issue of delays on NJ TRANSIT and the current 30-day hold on the ARC Tunnel.

Thank you for being here.

We're adjourned.

(MEETING CONCLUDED)