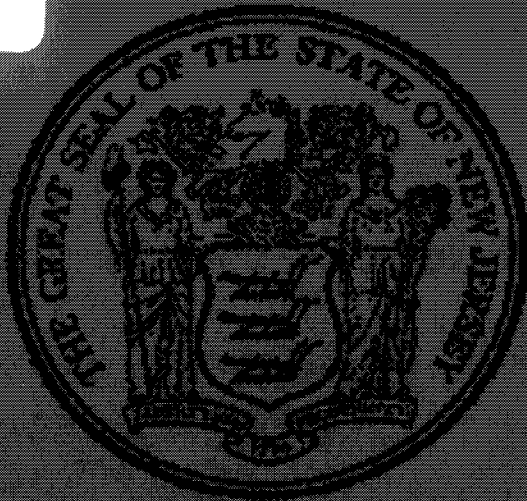


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THE
GENERAL ASSEMBLY
OF
THE STATE
OF
NEW JERSEY

SELECT COMMITTEE ON
THE DIVISION OF MOTOR VEHICLES
RECOMMENDATIONS

FEBRUARY 19, 1987

Assemblyman William P. Schuber
Chairman

Assemblyman Thomas J. Shusted
Vice-Chairman



New Jersey State Legislature

**ASSEMBLY SELECT COMMITTEE
ON THE DIVISION OF MOTOR VEHICLES**

STATE HOUSE ANNEX, CN-068
TRENTON, NEW JERSEY 08625
TELEPHONE: (609) 984-0231

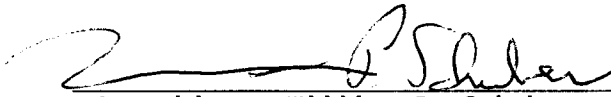
WILLIAM P. SCHUBER
Chairman
THOMAS J. SHUSTED
Vice-Chairman
JOSEPH W. CHINNICI
ROBERT E. MARTIN
NEWTON E. MILLER
JOSEPH L. BOCCHINI, JR.
THOMAS P. FOY

February 19, 1987

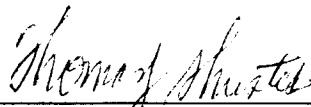
Speaker of the General Assembly Chuck Hardwick
Members of the Legislature

Ladies and Gentlemen:

The Select Committee on the Division of Motor Vehicles established by the Speaker under the rules of the Assembly hereby respectfully submits its report on the reform and operation of the Division of Motor Vehicles.



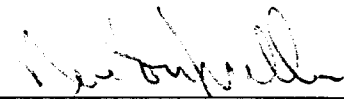
Assemblyman William P. Schuber
Chairman



Thomas J. Shusted
Vice-Chairman



Robert J. Martin



Newton Miller



Joseph W. Chinnici

Joseph L. Bocchini, Jr.

Thomas P. Foy

(See Minority Statement)



New Jersey State Legislature

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THOMAS P. FOY

February 19, 1987

Speaker of the New Jersey General Assembly Chuck Hardwick
Members of the Legislature

Ladies and Gentlemen:

I am very pleased to transmit with this letter the findings and recommendations of the Select Committee on the Division of Motor Vehicles regarding the reform of the Division of Motor Vehicles.

The report represents the work of the committee over the past year. It provides the committee's analysis of the various alternatives and its recommendations for the operation of a division that for too long has been unresponsive to the needs of the public.

The committee heard from a variety of sources, each providing valuable insight on different aspects of the overall reform. I would like to thank everyone who testified for taking the time and for making our difficult task a little easier. I would especially like to thank Mr. Frank Sencindiver and Mr. John Zogby for enlightening the committee on the operation of the Division of Motor Vehicles in their states, Virginia and Pennsylvania, respectively.

The members of the committee also deserve a special thanks. Their efforts in studying, evaluating and analyzing a very difficult problem are to be well commended.

On behalf of the members, I would like to conclude by saying that the committee stands ready to assist in the implementation of the attached recommendations.

Sincerely,

William P. Schuber
Chairman

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INTRODUCTION

This report represents a summary of the work done by the Select Committee on the Division of Motor Vehicles during the past year. It is to serve as an interim overview of the findings of the committee based on information collected during a series of public hearings. The report also presents the preliminary recommendations of the committee for the reform of a Division that has for too long been mismanaged and non-responsive to the people it services - the 5.2 million motorists of the State of New Jersey.

The focus of the Select Committee during its first year centered on the studying, evaluating and analyzing of various proposals and alternatives for the reform of the Division of Motor Vehicles, particularly those advanced by Attorney General W. Cary Edwards. The Attorney General's reform proposal placed primary emphasis on developing a consumer-oriented approach which caters to the motoring public. The objectives outlined in the proposal included reforming the DMV field agency system, constructing a new central headquarters, creating efficient facilities management procedures for all DMV facilities, improving DMV's computer system and its enforcement responsibilities, and establishing meaningful administrative personnel and budget controls. The principal means to achieve reform of the field agency system is through a state takeover of the existing motor vehicle agencies.

The committee undertook a series of hearings to examine and compare the current operation of the agency system, the Administration's proposal for reform of the Division of Motor Vehicles and other viable alternatives for making the system more efficient. In addition the committee examined the continuation of the public/private vehicle inspection option.

The committee heard from a wide variety of sources with each hearing dedicated to gathering information on a particular aspect of motor vehicle reform. Included among the approximately 30 individuals who testified before the Select Committee were Attorney General W. Cary Edwards who outlined the Administration's proposal for an eventual takeover of the agency system; Glenn Paulsen, Director of the Division of Motor Vehicles; representatives of the Atlantic County motor vehicle office and private agents who testified as to the specific operation of their agencies; the Deputy Secretary for Safety Administration for the Pennsylvania Department of Transportation and the Deputy Director for the Virginia Department of Motor Vehicles both of whom testified on the operation of the motor vehicle agencies in their respective states and Mr. James Morley, Executive Director of the State Commission of Investigation who testified on the need to establish a secure motor vehicle system. The committee also sought testimony from law enforcement officials regarding law enforcement as it relates to the operation of the motor vehicle system. Finally, the committee

toured several motor vehicle agencies to see firsthand how the various agencies operate. The public testimony provided valuable input to the committee and helped to shape the overall recommendations.

Based on this testimony and investigation into the issue, the committee is recommending that the Division of Motor Vehicles delay further actions to implement the state takeover of the motor vehicle agency system. The committee finds that there is no conclusive evidence to confirm state takeover as the most suitable option. Moreover, as this report outlines, evidence suggests that any further reform of the agency system, should include consideration of a configuration that includes participation by the private sector as well as other levels of government.

The committee also believes that the Division of Motor Vehicles must be removed from the scope of partisan political appointments and patronage. This conclusion, based on well documented instances of abuse, has served as the basis for all inquiries by the committee and should be included in any future reform.

The committee would like to emphasize the need for the Division of Motor Vehicles to continue without interruption its efforts to upgrade the technical aspects of the motor vehicle information gathering, storage and retrieval network. The Division has made improvements since it came to a virtual standstill in July, 1985

with the malfunctioning of its computer system. The committee commends the progress made by the Division of Motor Vehicles in this area. Backlogs in motorists' transactions have been virtually eliminated. As well, the Division has made significant progress into ensuring that all New Jersey motorists receive registration and license renewal applications through the mail. The Division must continue to proceed with these and other improvements which will ultimately enable it to be responsive to the 5.2 million licensed drivers who conduct over 24 million transactions per year.

The following pages outline the work of the committee in two areas: the public/private inspection system and reform of the agency system. Recommendations follow the text of the report.

Public/Private Inspection

As a first step in examining the operation of DMV, the Select Committee examined the operation of the State's motor vehicle inspection system.

After nearly three years of operation in an experimental capacity, the dual motor vehicle inspection system was set to expire during the Spring of 1986. The committee, after public testimony, determined that the public/private inspection system had worked well. It gave consumers the choice of two quality inspection programs providing "quick and efficient service to the people" of the State while maintaining the quality of operations.

In 1982, it was not unusual for motorists to wait two to three hours to have a vehicle inspected at some stations. The average wait exceeded 33 minutes. By January 1, 1986, the average wait for motorists was reduced to six minutes. The most important part of this turnaround was the success of the public/private experiment.

The 3,200 licensed private garages handle approximately 20% of all inspections each year. Losing this source of inspections would have been a serious setback for the efficiency of the motor vehicle inspections program. As a result, the State would have been forced to expand its facilities to accommodate the increase in demands. The new requirements being placed on the state inspection system, such as commercial vehicle safety, upgraded emission inspections to keep the State in conformity with the standards mandated by the Federal Clean Air Act, anti-tampering tests and future diesel emissions tests demanded that more vehicles enter the inspection program, and as well, a more time-consuming inspection. With these factors in mind, the committee recommended that private garages continue to perform initial and reinspection tests beyond the end of the trial period - June 1, 1986.

The Legislature followed the recommendations of the Select Committee and sent to the Governor legislation which made permanent the public/private dual inspection system. It was signed into law on June 2, 1986.

Reform of the Agency System

In early April, the Select Committee began a detailed examination of the overall operation of the Division of Motor Vehicles. Its primary focus became the operation of the agency system. Attorney General Edwards testified before the committee to outline the manner in which he, as the Cabinet officer in charge of the Division, envisioned the division should operate. His main objective, and one which the committee continues to share, is to shift the emphasis of DMV away from a regulatory and enforcement environment toward one that centers on the "delivery of efficient, professional, and responsive service to the public."

In testifying before the Select Committee, the Attorney General stated several goals for reforming the system. In addition to developing an operation that is dominated by a retail consumer oriented approach, he proposed that the philosophy of the DMV should be structured around "improved information gathering, storage and retrieval systems (upgrading the current computer system) and realistic and achievable regulatory and enforcement capabilities."

To achieve these goals Attorney General Edwards recommended the State formally take over the operation of all 55 field agencies. The Attorney General stated that "only by providing for state-run

agencies can we insure total control by management over agency operations and personnel practices, consistent and uniform management across all agencies, and easier implementation of training programs. A state-run system would provide DMV with the ability to expand its hours and to move employees between agencies to cover emergencies and manpower shortages, and to implement new programs without the resistance that might be incurred under a private system because of increased costs to the agent. Of utmost importance is to establish a configuration of an agency with responsibilities that are at a level that meets the particular conceptual framework. Then the agency must be put in place to see how it works, with the kinds of controls that are necessary to be able to move quickly and effectively to change it if it is not working."

In continuing with his testimony, Attorney General Edwards went on to say that he was not rejecting any options for reforming the agency system - including private, county, or municipal operation - but he felt that the State must first take over the entire operation to address all current problems. He concluded by stating that this goal would be best achieved through state-control. He acknowledged that this configuration could be converted at a later time to include private providers if it was the wish of the state's policy makers.

In November 1986, the Attorney General, on behalf of the Division of Motor Vehicles, presented to the Joint Budget Oversight

Committee of the Legislature a plan for spending and the anticipated maximum revenue needs for the operation of the Division for the remainder of Fiscal Year 1987. Included in this request was a comparison of the costs of operating the privately run motor vehicle agency with those of the state operated agencies. The State currently operates 24 motor vehicle agencies at a yearly cost of \$6,529,536 which is the equivalent of \$22,672 per month per agency. On the other hand, privately operated agencies, of which there are 31, are projected to cost the State \$4,751,928 or \$12,774 per month per agency. Even if rates were adjusted to ensure that private agencies were staffed and maintained at levels equivalent to those at the state operated facilities, the annual cost for the 31 privately operated agencies would be \$7,206,632 or approximately \$19,370 per month per agency.

The Division has made plans to take over all 55 existing field agencies by assuming control of an agency each time a private operator resigns or is dismissed. In addition, under the master plan an additional 12 field agencies, including two regional agencies are proposed. A full and total takeover can not be done, however, without specific legislative approval.

Mr. Richard Squires, the County Executive for Atlantic County and Mr. Alan Levine, the office manager for the Atlantic County motor vehicle office, also testified before the committee in early April. Both provided initial insight into a successful motor vehicle agency devoid of partisan politics. Although managed by the county, their testimony indicated that the system operated in a manner more in accordance with a private business than a government

operation. For example, the Atlantic County office rewards employees for providing a higher level of services. In examining other witnesses, the committee continually referred to the success of the Atlantic County experiment.

Additional testimony came from motor vehicle representatives of other mid-Atlantic states. Mr. John Zogby, testifying on behalf of the Commonwealth of Pennsylvania, highlighted the results of the state's study of alternative motor vehicle operations. Pennsylvania is in the process of decentralizing its motor vehicle operation. A consultant hired to work with the Pennsylvania Department of Transportation provided several options as to how their agency system should be organized. The option chosen was a "private-sector-operated agent system." Mr. Zogby elaborated on the concept by stating that "contracts for agencies will be executed with businesses after a careful review of the owner's background and financial dependability." Pennsylvania intends to "permit the decentralized service system to be market driven neither dictating where offices must be opened or protect the market area where offices already exist. The fees charged by these agents will be set by the marketplace and not by the state."

Pennsylvania chose this approach because of its private-sector participation. In addition, this private sector participation will save the State of Pennsylvania approximately \$9 million in the first five years. At the same time, service will be improved.

It is interesting to note that in addition to individual private franchises Pennsylvania permits motor vehicle transactions to be done through local Automobile Association of America (AAA) offices. Mr. Zogby testified that members may have routine motor vehicle transactions done at no charge while non-members are assessed a nominal fee. This approach allows Pennsylvania residents to go to a convenient location for quick service.

Mr. Frank Sencindiver, the Deputy Director of the Virginia Department of Motor Vehicles, testified that the majority of Virginia's motor vehicle system is operated by the state. The Commonwealth operates full-service offices throughout its boundaries. Testimony indicated that Virginia has made a significant attempt to locate these offices in places easily accessible to the motoring public - such as malls. It also permits the operation of "contractual license agents" which are limited in the scope of services they may offer. These agents are not state employees. Together these agencies perform their services in such a manner as to garner praise from many sources, including the American Association of Motor Vehicle Administrators. The difference in the functions of each type of office offers a unique example in the combining of public and private operations.

Other testifiers included State Commission of Investigation (SCI) Executive Director James Morley who advocated state takeover of the agency system citing considerations of employee fraud,

security of records, and the potential expense of a private system. Mr. Morley's chief concern was the security of the system, noting "our conclusion -- all other things being considered -- is that the State operation is the way to go. That's not to say somewhere down the line, once the system is all put together, the rights controls are in place, and the right kind of scrutiny is being exercised, that perhaps the time can be taken to put specs together, to make sure there is a tightly controlled, McDonald's-styled franchise being done in every place."

RECOMMENDATIONS

The Select Committee heard from a variety of sources in its effort to determine the optimum approach for reforming the Division of Motor Vehicles. After a year of public hearings and receiving testimony, the committee recognizes future intensive work needs to be done. These recommendations will serve as a basis for future investigation. The work of the committee has yielded positive results, however, and at this time the committee wishes to state its recommendations.

While urging the Attorney General to accelerate efforts to improve the day to day operation of the central motor vehicle headquarters and informational network, the Committee recommends the Attorney General discontinue State takeover of the motor vehicle agency system until the feasibility of private sector involvement is fully reviewed.

The state-takeover of the agency system should be discontinued until and if conclusive evidence is presented that this is the only viable option. The committee sees three major problems with full state operation - cost, level of service and the practical difficulty of reducing government involvement at a later date. As

explained in the previous text, the cost for operating a state-run agency is exorbitant. In addition, little proof has been offered that a state-operated system would be more efficient.

While the committee understands the rationale for providing a stable motor vehicle system under state control and later examining other options, it fears that the continuation of the state takeover plan will make the state role impossible to eliminate and difficult to reform at a later date.

The Committee recommends creation of a public and private sector panel to design a configuration of motor vehicle agency services.

The task of designing a system of motor vehicle agencies and regulatory services requires expertise and experience in retail consumer services and motor vehicle operations. The committee notes that the types of tasks, the sheer number of transactions, and their level of complexity make the regulation of motor vehicles one of the most administratively challenging tasks confronting state government.

The committee believes that the creation of a special panel of experts assigned the sole task of determining the configuration of our motor vehicle agency system is a natural progression in the reform of our present motor vehicle system.

The Committee recommends that private sector providers participate in any final configuration of the motor vehicle agency system.

The Committee finds sufficient evidence to believe a proper role exists for private sector service deliverers. The public/private inspection system currently operating in New Jersey is an example of a successful integration of private deliverers into the motor vehicle system to the benefit of consumers.

One example of public/private cooperation that should be further examined is the placing of motor vehicle agencies in large retail establishments. These retailers are for the most part located in major malls or in areas that are easily accessible to the public and have adequate parking facilities. Such retailers would also offer pricing economies of scale helping to reduce service costs. With a more careful scrutiny of vendors and a built in system to regulate their actions, large retailers could provide a sound basis for the agency system.

In examining the appropriateness of using a retail private sector agent, the availability of appropriate technologies, including linkage with the main computer system in Trenton, is an important consideration. The feasibility of tying the agents into the system as well as who should pay the cost is an issue that must be further examined.

Depoliticization of the motor vehicle agency system must be a top priority of any reform program.

The committee agrees with the recommendation of the Governor, Attorney General, and Director of the Division of Motor Vehicles to structure the entire Division in a manner that is geared toward public service. The regulatory and enforcement responsibilities of the Division should be met with this goal in mind.

If privatization of the current system is to occur, safeguards must be established to ensure the depoliticization of the system. Specific standards must be established to ensure selection of a private vendor based on retailing ability and not political influence.

Standards for campaign contributions by firms doing business with the State under no-bid contracts must also be reformed. This concept is currently embodied in legislation and the committee recommends action by the Legislature on this proposal.

In determining the configuration of the agency system, specific consideration should be given as to which functions, if any, based on security and enforcement considerations, should be provided by private sector agents.

Defining the scope of the services which may be provided or should be provided by the private sector agencies is an important consideration. Any reorganization of the agency system should include an analysis of the types of transactions to be performed. Law enforcement officials testified before the committee that for both security and safety reasons it may be best to have certain transactions handled exclusively by the State. Specific areas of concern shared by both the committee and law enforcement officials include safety issues, such as the administering of driver examinations, both written and road, and security issues, such as issuing official titles. It may be best to have these functions specifically handled through the Division of Motor Vehicles. Other functions such as issuing licenses, duplicate licenses and registrations; renewals of licenses and registrations; issuing of license plates; collecting of state sales tax and the issuance of temporary titles could be handled by the private sector retailers.

If it is determined that the state should exclusively handle certain transactions as it now does, full service state agencies should be located based on a regional site selection. These offices should be able to perform services now done only in the central office. Motorists should not be required to travel to the central headquarters in Trenton to transact certain motor vehicle business.

The Committee recommends that informal competition in the solicitation of any professional contracts be required when a waiver of formal advertising is granted.

The select committee believes it is necessary for the Legislature to act on the recommendations of the State Commission on Investigation in regard to its investigation of the Price-Waterhouse/Division of Motor Vehicles computer contracts.

All sole source contracts should be available for public inspection and standards should be set for the auditing and documentation of such contracts. These concepts are currently embodied in legislation and the Select Committee recommends action by the Legislature on these proposals.

The committee recommends the restoring of the position of Ombudsman for the Division of Motor Vehicles.

Despite the Division's attempt to improve consumer information and complaint handling services through the establishment of a centralized Consumer Complaint/Public Information Office an independent office should be incorporated in DMV's overall reform. The office would serve as a liaison between the motoring public of New Jersey and the Division of Motor Vehicles. An information/complaint office outside the Division will help expedite problem solving. In addition, it will allow the DMV to concentrate on conflict resolution.

The Office of the Ombudsman may also be the appropriate regulatory body for overseeing the operation of the agency system. In its function as independent overseer of the Division, its role could be expanded to include the monitoring of the agency system. Specifically, it could keep track of the operation of each agency to ensure that adequate service is provided.

The Committee directs the Attorney General to take all legal steps necessary to protect the public interest in resolving any conflicts resulting from Price-Waterhouse's failure to meet its contractual obligation with the State.

The contract negotiated between the State of New Jersey and Price-Waterhouse contained a provision addressing the issue of "non-performance by the consultant" (Price-Waterhouse). This "liquidated damages clause" provided the State with the ability to seek damages from Price-Waterhouse if the newly designed computer system failed to operate as contractually agreed to or the system was not fully functional by July, 1985.

Attorney General Edwards testified before the committee that Price-Waterhouse is continuing to refine the computer system to the level that was contractually agreed upon. The firm continues to put resources, time and effort into the redesign of the system.

When the system is functioning as originally intended, the Attorney General should take all appropriate steps to ascertain the cost to the State and its taxpayers and recover any damages caused by the failure of the computer system.

WITNESS LIST

April 3, 1986

W. Cary Edwards
Attorney General
Dept. of Law and
Public Safety

April 9, 1986

Alan M. Levine
Manager
Northfield Motor Vehicle
Agency

Richard E. Squires
Atlantic County Executive

Charlotte Gaal
Counsel to the State
Commission of
Investigation

James Morley
Executive Director
State Commission of
Investigation

Patrica Main, President
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Agents Association.

Patrick Blacklevy, Motor
Vehicle Agent, Lodi

James Spera, Motor
Vehicle Agent, Dunnellen

Phyllis Ims, Motor
Vehicle Agent, Wyckoff

William and Jean Palermo
Motor Vehicle Agent,
Rahway

May 21, 1986

Colonel Clinton Pagano,
Superintendent, Division
of State Police, Dept.
of Law & Public Safety

Officer Joseph Cofone
Police Traffic Officers'
Association of Bergen
County

Sergeant Robert Herndon
Police Traffic Officers'
Association of Bergen
County

Officer Richard Mottley
Police Traffic Officers
Association of Bergen
County

Sergeant Frank Mikulski
Police Traffic Officers
Association of Bergen
County

Darlene Johnson
Communication Workers
of America

Stanford C. Tice,
Director, Division of
Fraud
Department of Insurance

Raymond Helsel
Recently Retired
Division of Motor
Vehicles, Department of
Law & Public Safety

June 19, 1986

John J. Zogby
Deputy Secretary for
Safety
Administration
Pennsylvania Department
of Transportation

**Frank Sencindiver
Deputy Director
Virginia Department
of Motor Vehicles**

**Nick Alexander, President
New Jersey Federation of
Senior Citizens**

October 16, 1986

**Edward Smerecki, Manager
Division of Vehicles**

**Roger Gilmore, Northern
Regional Coordinator
Division of Motor
Vehicles**

**David Penner,
Field Representative
Division of Motor
Vehicles**

October 30th

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Attorney General
Department of Law &
Public Safety**

**Glenn R. Paulsen
Director, Division of
Motor Vehicles**

**Christine Cox
Deputy Director of the
Reform Process
Division of Motor
Vehicles**