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# *Committee Meeting*

of

## ASSEMBLY TRANSPORTATION COMMITTEE

(Excerpt of meeting dealing with E-ZPass system)

*“Overview of the current status of the E-ZPass system”*

(Excerpted transcript rendered from Internet archive)

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**LOCATION:** Committee Room 16  
State House Annex  
Trenton, New Jersey

**DATE:** February 28, 2002  
10:00 a.m.

### **MEMBERS OF COMMITTEE PRESENT:**

Assemblyman John S. Wisniewski, Chairman  
Assemblyman Reed Gusciora, Vice-Chair  
Assemblyman John J. Burzichelli  
Assemblyman Anthony Impreveduto  
Assemblyman Gordon M. Johnson  
Assemblywoman Linda Stender  
Assemblyman Francis L. Bodine  
Assemblyman Alex DeCroce



### **ALSO PRESENT:**

Nancy M. Lipper  
*Office of Legislative Services*  
*Committee Aide*

John Fuller  
*Assembly Majority*  
*Committee Aide*

Jerry Traino  
*Assembly Republican*  
*Committee Aide*

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

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*The following transcript is an excerpt of the Assembly Transportation Committee meeting of February 28, 2002.*

*The excerpted transcript has been rendered from the archived Internet broadcast. There are instances labeled indiscernible where comments made by Committee members are inaudible due to the Internet microphones being deactivated.*

*Committee members have been identified where possible.*

**ASSEMBLYMAN JOHN S. WISNIEWSKI (Chairman):** --a  
“self-financing system.” Where did that come from?

**DIANE SCACCETTI:** It is my understanding that financing-- It's on now. (referring to PA microphone) It's okay. The financing was proposed by the contractor, MFSNT, as part of their best and final offer to the Consortium during the procurement process.

**ASSEMBLYMAN WISNIEWSKI:** So, I'm correct in understanding then that the idea for the self-financing came from the contractor and not from the State?

**MS. SCACCETTI:** That is correct.

**ASSEMBLYMAN WISNIEWSKI:** Okay. Where do we stand in terms of being able to implement self-financing?

**MS. SCACCETTI:** Unfortunately, we are not where we need to be. In the last six weeks that I've had to be educated on this project, it appears that the tools necessary to self-fund this project to collect the violations, the administrative fees necessary to fund were not in place at the contract's inception. So that with no collection agency, no municipal court process

available, really starting in 1998, when the Atlantic City Expressway opened and then rolling from there out to the Turnpike in September of 2000, there is no collection agency for us to enforce the violations. The only tool we have, at the present time, to collect our violations is notices sent out by the Violation Processing Center.

ASSEMBLYMAN WISNIEWSKI: If you could tell me a little bit about those notices, my understanding is, and again correct me if I'm wrong, that the most recent period that I was given information for was that \$10 million in toll violation money has been collected, but that the expense in collecting that money has far exceeded the amount collected.

MS. SCACCETTI: That is correct. It is, as of the end of January or actually the end of December, we had collected \$13.3 million in a combined administrative fee toll revenue as a result of violations. But in 2002 alone, we will pay the Violation Processing Center \$19.2 million.

ASSEMBLYMAN WISNIEWSKI: And that's the money that's coming out of the 250 million operating costs?

MS. SCACCETTI: Yes. It's known as the project fund, and that the VPC is paid through the project fund.

ASSEMBLYMAN WISNIEWSKI: Is that amount that's being paid in excess of what was anticipated?

MS. SCACCETTI: Yes. There are more violations than were initially-- More violations have occurred than were projected in the original contract. And the way the Violation Processing Center is paid is not based on the number of violations that they send out, they're paid by -- based on the number of images they review. So, as it's been explained to me and I've come

to understand it, the problem begins in the lane. So that if the equipment for whatever reason malfunctions, and as Greg explained, every license plate is photographed. When the match occurs in the software, if it's a correct match and a valid transaction, that photograph is deleted. But if for some reason there is an improper read, that image goes to the Violation Processing Center. Then they review it. They are paid for reviewing the image, whether or not a violation is ever sent, based on that review. They may review it. It may not be readable. They may not be able to read the license plate. It may be that they match it with a current E-ZPass customer, but each time they review an image, they are paid. There is a baseline amount of \$9.8 million for 2002 that they will be paid to review 4.7 million images. After they exceed 4.7 million images, they will be paid on an incremental basis for each additional image that they review at \$1.34 per image.

ASSEMBLYMAN WISNIEWSKI: So, if the equipment is not functioning right, and you exceed 4.7 million images, the contractor gets paid more money?

MS. SCACCETTI: That is correct. And the Violation Processing Center is operated by the contractor. It's not operated by Chase, Adesta. WorldCom is the operator of the VPC.

ASSEMBLYMAN WISNIEWSKI: And this is the same contractor that installed the equipment that's reading the images, perhaps, incorrectly.

MS. SCACCETTI: Yes, it is, Assemblyman.

ASSEMBLYMAN WISNIEWSKI: Okay.

MEMBER OF COMMITTEE: Mr. Chairman, wouldn't it behoove the contractor or the owner of the equipment to have it malfunction? (indiscernible)

ASSEMBLYMAN WISNIEWSKI: That certainly seems to be an implication here.

MEMBER OF COMMITTEE: I mean, the more it malfunctions, the more they get paid.

MS. SCACCETTI: Yes. And that would certainly seem reasonable from the experience that we've had over the years. But we have our own testing that goes on. We don't always pay those. We have had long conversations with WorldCom, because we are withholding a significant amount of money from them based on what we believe is an unreasonable amount of image reviews. We believe if they review more than 10 percent of the images of E-ZPass customers, that those are invalid image reviews, and we do not pay them. And at the present time, we are withholding in excess of \$7 million for that very reason and have recently received from WorldCom a notice of dispute for those payments.

ASSEMBLYMAN DeCROCE: Cathy (*sic*), are you saying that there is reason to believe that WorldCom may, in fact, be embellishing these charges?

MS. SCACCETTI: No. We believe that we need to force WorldCom into fixing the technology. We don't believe that it's intentional that they're looking at more images than they should, but we believe the problem is in the lane. And in the last six weeks, we have asked WorldCom to simply focus on correcting the lane problems, as it is configured today. As you

may know, this was done in two pieces. It was done as phase deployment, which was simply E-ZPass dedicated lanes with the expectation that by the end of this year you would have what is called a mixed mode operation, which would mean that any lane could take E-ZPass or cash transactions one after the other.

In the earlier part of this year, there was an aggressive move to go out with mixed mode operation, which we'd decided that we needed to put off. Because until we solve these lane problems, we do not need to complicate any further the experience the customer has in the E-ZPass lane. So, what we have done is we have asked WorldCom, notwithstanding the fact that the Consortium has not consented to the assumption of their contract under the bankruptcy of Adesta, we have asked WorldCom, and they have cooperated in looking at these software problems and doing what they can to stabilize our existing system and to reduce the number of errant transactions that occur. When we reduce the number in the lane, we reduce the number at the VPC, the customer has a better experience.

ASSEMBLYMAN DeCROCE: Cathy, isn't it true, though-- I mean, I can't really blame WorldCom, in general, because doesn't DMV play a part in this whole-- (indiscernible, Internet microphone turned off)

MS. SCACCETTI: In terms of?

ASSEMBLYMAN DeCROCE: It is my understanding that DMV-- (indiscernible, Internet microphone turned off)

MS. SCACCETTI: You mean, DMV is not turning around the license plate lookups?

ASSEMBLYMAN DeCROCE: (indiscernible, Internet microphone turned off)

MS. SCACCETTI: I'm sorry, Assemblyman. I'm not familiar with that being an issue at the present time. It's not an issue that's been brought to me in the last six weeks.

ASSEMBLYMAN DeCROCE: (indiscernible, Internet microphone turned off) I'm getting information that it could be possible.

MS. SCACCETTI: Well, we will certainly look into that and respond back to the Committee.

ASSEMBLYMAN DeCROCE: The thing to blame the general contractor -- but if there's other reasons that are causing some of these problems, it may not necessarily be his fault.

MS. SCACCETTI: And that could be. But again, unfortunately, I can't comment to you today on the DMV's role and any of the delays or any inaccurate violations that may be being issued. It's certainly something that we can respond to you on at a later date.

ASSEMBLYMAN DeCROCE: I'm sorry, Diane, I was calling you Cathy. I apologize.

MS. SCACCETTI: That's okay. I answer to many things these days. (laughter)

ASSEMBLYMAN DeCROCE: Me too. You should hear the ones I admit to.

ASSEMBLYMAN WISNIEWSKI: Assemblyman Impreveduto.

ASSEMBLYMAN IMPREVEDUTO: It just seems strange to me that there's no incentive here. In fact, that there is an incentive. The incentive



is for the lanes not to work properly so that the contractor can do much better financially. Is WorldCom going to be here to testify?

ASSEMBLYMAN WISNIEWSKI: Assemblyman, they've been invited to testify, but I've been advised by their counsel that they're not going to be here.

ASSEMBLYMAN IMPREVEDUTO: So they're not going to be -- expose themselves to questioning then?

ASSEMBLYMAN WISNIEWSKI: They're not going to be here for questioning. I understand they may have representatives in the audience, but they're not going to be here to answer any questions of the Committee.

MS. SCACCETTI: Assemblyman--

ASSEMBLYMAN IMPREVEDUTO: I think at some point we might want to speak with them. Because it sounds to me that there's a problem here that we need to look into.

ASSEMBLYMAN WISNIEWSKI: I agree with you. I just wanted to follow that up. My question is this: My understanding about the technology we use in our E-ZPass system is that it's not unique technology. It's technology that is used successfully in New York and in other states. And they do not have the same level of erroneous violations that New Jersey does. Is that correct?

MS. SCACCETTI: They may not have the same level now, but I know that when it was introduced initially in New York, New York had its own difficult experiences implementing E-ZPass, and they have certainly come through them very well. The New Jersey Consortium project, as I have learned, is very complex, and it's not-- What is important to understand is it's not just E-ZPass. This project was the change out of all of our toll equipment. If we

never got E-ZPass in New Jersey, the Turnpike, at some point in time, would have had to change out its toll equipment because it was old. The Turnpike is 50 years old. The equipment I'm sure exceeds 20 years at this point. It's obsolete. We can't replace it. So a decision was made at the time that we were going to replace the toll equipment to combine that toll equipment replacement with the E-ZPass -- the installation of E-ZPass equipment.

I think Greg would agree with me that that has added a complexity to the Turnpike or to the Consortium's project that, perhaps, didn't exist in other places where they did not do both functions at the same time.

For instance, Delaware, they're part of Consortium, but they did not replace their toll equipment. They're currently operating 62 lanes, several of which are dedicated but 40 of which are mixed mode. So they're ahead of us in terms of being able to do that. But the toll equipment is so closely tied to the software for E-ZPass that we've been experiencing some issues, as a result of that. I think that's what may make it unique to our experience at the moment.

ASSEMBLYMAN WISNIEWSKI: Are there any other states or jurisdictions that rely on the collection of toll revenue, violation revenue, and fiber-optic leases to finance the implementation?

MS. SCACCETTI: Not that I am aware of.

ASSEMBLYMAN WISNIEWSKI: We're unique in that regard?

MS. SCACCETTI: It appears to be.

ASSEMBLYMAN WISNIEWSKI: Do any members of the Committee have any questions?

Assemblyman Gusciora, Vice-Chairman.

ASSEMBLYMAN GUSCIORA: I was wondering, who came up with the mechanism to fund the E-ZPass system through violations?

MS. SCACCETTI: The contractor presented that. As I understand it, the contractor presented that as part of their proposal.

ASSEMBLYMAN GUSCIORA: And this is WorldCom?

MS. SCACCETTI: It was MFSNT, which I believe was a subsidiary of WorldCom at the time the contract was executed.

ASSEMBLYMAN GUSCIORA: And how much do we pay WorldCom per year?

MS. SCACCETTI: Well, we pay them based on completion. We-- Give me one second. I don't have a complete number for construction to WorldCom. For the operation of the VPC, we pay them a significant amount of money, and then we pay them for construction based on the construction estimates and payment statements that they send in. But I'd have to venture a guess to tell you that given the fact that we have about \$45 million left in the project fund -- and the project fund was established, I think, with \$300 million of EDA bond money -- that's what we've paid, the debt of what we've paid to CSC.

ASSEMBLYMAN GUSCIORA: That's insulting that if WorldCom is being paid by the taxpayers over \$300 million and they can't appear before this Committee. But notwithstanding, when did the Turnpike Authority determine that the toll violators were not going to pay for the -- indeed pay for the cost of the E-ZPass system?

MS. SCACCETTI: It is my understanding that when the base case model was reviewed in November of 2000, that was the first indication to the

Turnpike Authority on behalf of the Consortium that the project was running a deficit. I think at that time it was \$65 million. You have to forgive me, and as much as I'm in this position now, E-ZPass was not something that I participated in. So I'm telling you what I've learned over the course of the last six or seven weeks. And I think it was in 2000 that they first announced a \$65 million deficit to the project.

ASSEMBLYMAN GUSCIORA: But didn't the Turnpike Authority, at any point, see what the experiences were in the other states that we saw nice graphs of New Hampshire to West Virginia? Didn't anybody bother to pick up the phone to those other states to see if -- what their experiences were and whether the toll violators were going to be able to pay for the E-ZPass system?

MS. SCACCETTI: It isn't my understanding that there is any other state that is financing through toll violations. So, I think the Turnpike Authority or the Consortium was breaking new ground, perhaps, in that type of a financing and essentially marketing a system that would be self-funding or would pay for itself. I'm not certain that there was somewhere for them to go to test the reliability of that theory.

ASSEMBLYMAN GUSCIORA: Were you aware of the percentage of toll violators, E-ZPass violators, in the other states? What percentage of the riders would violate the E-ZPass system?

MS. SCACCETTI: It is my understanding that the financial advisor for the Consortium, Public Resources Advisory Group, did provide certain data, as did the contractor, with regard to what it believed would be the average number of violations and what they believed the collection rate could

be and, in their mind, gave very conservative estimates of what we would be able to collect to fund the project.

ASSEMBLYMAN GUSCIORA: And didn't that number exceed what the experiences were in other states?

MS. SCACCETTI: I can't answer that. I don't know if it exceeded those numbers or not.

ASSEMBLYMAN GUSCIORA: Thank you, Mr. Chairman.

ASSEMBLYMAN WISNIEWSKI: Thank you, Assemblyman.

Diane, I just wanted to acknowledge that you are the Acting Executive Director.

MS. SCACCETTI: That's correct.

ASSEMBLYMAN WISNIEWSKI: And I think one of the things-- If you could take 30 seconds to explain your understanding of the management structure within the New Jersey Turnpike Authority, as the lead agency for the Consortium, how that worked? I mean, who was in charge prior to your arriving on the scene? Who was in charge of the E-ZPass system? How did it work? What were the checks and balances? If you could just spend a couple of seconds on that.

MS. SCACCETTI: The person who was the-- We were the lead agency with four other members being: the Highway Authority, South Jersey Transportation Authority, the Port Authority of New York and New Jersey, and the Delaware Department of Transportation. The former executive director of the New Jersey Turnpike Authority was the head in terms of the one person who headed or coordinated the efforts on behalf of that Consortium and was the final decision maker with regard to how the process and how the project would

roll out. They met regularly, as I am aware, and that at those meetings, all of the agencies were represented and made part of the discussions on how the contract was being implemented and issues that arose with the contract.

ASSEMBLYMAN WISNIEWSKI: Thank you.

Assemblyman Impreveduto.

ASSEMBLYMAN IMPREVEDUTO: Thank you.

Let me begin by saying that I'm a user of E-ZPass, and it's great.

MS. SCACCETTI: Thank you.

ASSEMBLYMAN IMPREVEDUTO: It's great in the sense that I can get through 16E without waiting 20 minutes to get through the tollbooth. One of the things I'm worried about, and you scare me when you tell me that you're going to have all the tollbooths E-ZPass, because that's going to take away my advantage of those that don't have it. So, I certainly hope that you're not going to have all tollbooths with E-ZPass, because that's certainly is not worth it to me to have E-ZPass any longer at that point.

MS. SCACCETTI: We will always maintain dedicated E-ZPass lanes--

ASSEMBLYMAN IMPREVEDUTO: That's what I want to hear.

MS. SCACCETTI: --so that you will be able to find them clearly and get through them without getting behind a cash customer.

ASSEMBLYMAN IMPREVEDUTO: One of the problems that I've seen-- In fact, there are a number of problems that I've seen. Have any of you ever called E-ZPass? By the way, I live in Secaucus, and it's about a mile from my house. So has anybody ever called E-ZPass?

MS. SCACCETTI: I haven't, but my sister has.

ASSEMBLYMAN IMPREVEDUTO: And I can expect what she has told you.

MS. SCACCETTI: Yes.

ASSEMBLYMAN IMPREVEDUTO: Because I've had that unfortunate opportunity to call E-ZPass, as well as thousands of New Jerseyans who I'm sure had the same problem. Is that going to be fixed? That's as bad as some of the other problems you've got.

MS. SCACCETTI: Yes, it is. And that's what gives customers who have issues the most negative experience -- is not being able to be responded to in a fair period of time. In the last quarter of 2001, through negotiations with the Consortium, the Customer Service Center did expand its hours of operation, did increase the number of customer service representatives available. It added an additional 800 number, so it was toll free, and it also increased and expanded the capabilities of its Web site. We continue to work with issues that we feel the Customer Service Center can implement that will make it easier for customers, either by avoiding having to call at all, being able to do things on an automated system, phone system, where they don't need to wait to speak to somebody necessarily to get done what they need to get done.

And a simple example is when we-- We provide them with a brochure. When you get your E-ZPass, you get a brochure. It explains it to you. But an E-ZPass customer who gets a "Go" message and reads the brochure will be told, "That's fine." Well, it's not fine. It has to say, "Go E-ZPass". If it doesn't say that, then it indicates there's a problem, either with your transponder or in that lane. So, you know, they may, in a day, be on the Parkway, go up and down and get lots of go messages and think they're fine,

and then two weeks later get 10 violations. So, we're correcting the information for them so as they read it, they clearly understand what the different elements are, what happens when they go through a lane, so that hopefully what we do is give them a heads up so they can call quickly and get their problem solved.

ASSEMBLYMAN IMPREVEDUTO: Well, that's the problem. I mean, knowing all that is great, but trying to correct it is where the problem begins.

MS. SCACCETTI: Right.

ASSEMBLYMAN IMPREVEDUTO: If anyone has called E-ZPass, their telephone electronic answering system leaves a whole lot to be desired. Besides the fact that you may wait a half hour or longer in many instances, in fact, most, to speak to someone, you're never sure how it is to get to speak to someone, because the prompts that you are given really never lead you to someone live. In addition to that, they never really tell you-- I mean, I was on the phone for 45 minutes once and found out that I was just holding on a dead phone. If the phones are too busy, they just cut you off, and they don't tell you that. So you're just standing there holding the dumb phone. And I'm sure that's the situation where if you get that go thing or if you get that thing in the mail that's got your drivers license, you say, "Wait a minute. I've got my E-ZPass bill. I paid it, and here it is." It can't be rectified by the phone. So what do you do? You do the next best thing.

I just recently lost my American Express card, and I had to change the number. So I couldn't get to them on the phone -- and this was two days ago -- so I went to the Web site, which was nice. Unfortunately, you're never given an indication that the information you put into the Web site has been



received or get a confirmation or a back that says you gave it to them. So, while I've given my new credit card number, I think, on the Web site, I still don't know if it was ever accepted by them or if they ever got it, because there's no confirmation or no confirmation number that you've received that. I think that you need to really look at the system and look at it as a consumer, because you're not -- not you, certainly it's not your fault -- but E-ZPass, you're not looking at it as a consumer. I mean, you have not made this consumer friendly at all. In fact, you've made it to the point where at some point in time, I was ready to say, it's not worth-- I'll wait 20 minutes at 16E to get off the Turnpike. It's not worth the aggravation. You've got to make it consumer friendly. It isn't. Now, I leave that to you to say -- have a nice voice that says, "If you hang on long enough, you're going to talk to somebody live," and not just give me Press 1, Press 2, Press 3, Press 4, and that leads me to a dead end eventually. So, I think that really needs to be looked at and that's something that, I think, needs to be looked at -- and it's not going to cost a lot of money -- today, not two years down the road.

MS. SCACCETTI: Well, certainly we'll address the Web site and the confirmation, which is kind of typical thing when you're (indiscernible) on-line, I'm sure.

ASSEMBLYMAN IMPREVEDUTO: Yes, I think-- Yes. You get a confirmation back, gives you a confirmation number printed out and (indiscernible) to the side, because I know what's going to happen. I'm going to get a picture of my license plate in the mail in about three weeks that says, "You didn't pay," because they went to an old credit card number that isn't there, and that's exactly what the problem for most people have become. If they

change their credit card, they forget to call E-ZPass, or just couldn't get through and said, "The hell with it." So, hopefully, that will work.

I just have a whole difficult time with who designed E-ZPass, and I guess that was WorldCom. And I suggested-- I put a bill in probably two days after I got my transponder, a year or so ago, that said who was the wacko who designed where these lanes were going to be placed? Now, all of us have driven down the Parkway. The Turnpike is not so bad, because you get on once, you get off once. When going down the Parkway, it's like a cattle stampede. You're never really sure where that E-ZPass tollbooth is going to be. It maybe the left lane. It could be the right. It may be the two in the center. But at every tollbooth, they're different. Who in God's name was the gentleman or lady that designed where these E-ZPass lanes would be?

ASSEMBLYMAN WISNIEWSKI: Assemblyman, Assemblyman DeCroce has an answer.

ASSEMBLYMAN DECROCE: Let me try to help you with that. I had that same problem, and I then called the most recent executive director of the Highway Authority, Lew Thurston. He indicated to me that each of those barriers have what are called station masters. They, in effect, are in charge of the lanes. And even the Authority can't tell them where these lanes are to be placed. This is my understanding through Lew. I mean, it's a weak friggin answer, in plain English.

ASSEMBLYMAN IMPREVEDUTO: Well, certainly, if my bill is going to be -- I understand -- called later, I will certainly have questions on that and discuss it at that point.

But that's all I have, Mr. Chairman.

ASSEMBLYMAN WISNIEWSKI: Thank you, Assemblyman.

Diane, I just wanted to do a follow-up about the notices that go out. One of the things that I thought was odd -- in the application you make either on-line or on paper for E-ZPass, you're not required to put your license plate number on the application. Now, if it was required, I think that you would probably be able to weed out a lot more of the errant violation notices by matching up the license plate number with an account. Who came up with the application?

MS. SCACETTI: Well, it's interesting that you asked me that, because I learned the answer to that question yesterday, because it came to my attention yesterday that the license plate is not a required piece of information, and certainly, wouldn't that make it easier for New Jersey customers.

Greg alluded to a group earlier known as the Inter-Agency Group. That is a group of at least 17 states who participate in E-ZPass issues in some form or another. They try to standardize what happens with E-ZPass. They own the logo. They are the group you must belong to to be interoperable with other states. So, it's my understanding that there was a long, drawn out discussion about the fact that New Jersey cannot require a license plate, because New York does not require a license plate. And so that it's voluntary information, but not mandatory, because not all New Jersey people or citizens registered in the New Jersey CSC. Some of them register in New York. Some New Jersey residents actually come out of the New York CSC, and many, many New Yorkers don't have cars but have transponders. So that when they ride in a cab, they hand the cab driver their transponder and that's how they pay their toll. I wish I could tell you that that wasn't what I was told, and I have no

reason not to believe it, because it was told to me by more than one person, and I actually confirmed it this morning. Because of the Inter-Agency Group rules and how they operate, they have asked New Jersey not to make the license plate information mandatory, because some people just don't have cars. They get the transponder. They're mass transit users. They either live in an urban area of New Jersey where they don't want a car. They don't need a car. They live in New York, the same situation. So they get a transponder and they just carry it with them.

ASSEMBLYMAN WISNIEWSKI: Well, it seems to me that to get around New Jersey you need a car. And to get around New York, you don't. My concern is that these rules have been skewed in favor of New York to the detriment of New Jersey.

MS. SCACCETTI: I would not use the word skewed. I think it's because New York was first. New York came before New Jersey. New York probably established the baseline for some of the rules that we have now. Clearly, New York has several agencies that are part of the IAG. And that may be the case, but I attended my first IAG meeting a few weeks back, and we talked about the issue of improving the application for any number of reasons. I did not know about the license plate issue until yesterday. So, it's been added to the list for our next meeting in April.

ASSEMBLYMAN WISNIEWSKI: I hope we can fix that.

Assemblyman DeCroce, you had a question.

ASSEMBLYMAN DeCROCE: (indiscernible, Internet microphone turned off)

MS. SCACCETTI: It doesn't have to mean it's a problem with the transponder. It could be a problem in the lane equipment.

ASSEMBLYMAN DeCROCE: (indiscernible, Internet microphone turned off)

MS. SCACCETTI: No. That would have nothing to do with speed. But I will tell you that if it is "go" or "blank," there's a problem that needs to be addressed.

ASSEMBLYMAN WISNIEWSKI: Thank you, Assemblyman.  
Assemblywoman Stender.

ASSEMBLYWOMAN STENDER: Thank you, Mr. Chairman.

Just as a follow-up on that. I mean, I have a lot of questions. The more questions we ask and the more you answer, the more questions I have, all of which I'm not going to ask at this point or get answered I'm sure, but the first one, off the top of my head is, why doesn't it say, "Wait," instead of "Go"?

MS. SCACCETTI: Because you have moving traffic behind it. You don't want them to stop in the E-ZPass lane. First of all, it's not safe. Second of all, you'll back up your plaza, because you have E-ZPass customers who have gotten in that queue to go through the E-ZPass lane. So there's nothing that you can do at that point in time. The toll--

ASSEMBLYWOMAN STENDER: So going slower doesn't fix it?  
It's not that--

MS. SCACCETTI: Going slower is not going to fix the message that you get--

ASSEMBLYWOMAN STENDER: Okay.

MS. SCACCETTI: --but if you stop in the lane -- it's just a safety issue. We'd rather you go and try to work through the process--

ASSEMBLYWOMAN STENDER: And get a ticket. (laughter)

MS. SCACCETTI: Well, you may or may not. You may not get a ticket if it's the lane equipment. It may not issue a violation to you. But it's an indication that you need to make a phone call. I understand the problem with making those calls, those things are being worked on, but it's important for our customers to understand what those messages mean. It used to be a message that said, "Call Customer Service Center." We had to change that, because people would stop right there and call the Customer Service Center. (laughter) So we changed it to, "Go," so that they would still proceed through, and hopefully we'd be able to resolve their problem at a later time.

ASSEMBLYWOMAN STENDER: Okay. Following up on the customer service issue. This is something that I've heard about from a lot of people, including my father-in-law, who is 90 years old and has had a significant problem -- can't get anybody on the phone and having now taken it on as a constituent service problem from my office, I can't even find anybody that I'm supposed to talk to. Who are people supposed to talk to when they can't get their customer service complaints resolved?

MS. SCACCETTI: You call the Turnpike Authority.

ASSEMBLYWOMAN STENDER: So I can call you?

MS. SCACCETTI: Yes, you can.

ASSEMBLYWOMAN STENDER: Well, that's good. It's lucky for my father-in-law that he has an Assemblywoman for a daughter-in-law so I can call, but unfortunately the average New Jersey person is going to have a

tougher time and shouldn't have to go to those extremes to get their questions answered. I have to tell you that having a voice prompt system doesn't sound like a good answer to me, because there's nothing more frustrating, I find, than getting into a system that prompts me through a lot of questions -- Press 1, Press 2 -- and it's like pressing nowhere to the sky. So I hope that we're going to see some real strong resolution on that. I'm sure we'll be taking that up at some point.

Back to another question -- the issue of calculating the bond payments based on violations.

MS. SCACCETTI: Calculating the payments we make to the VPC made on images reviewed?

ASSEMBLYWOMAN STENDER: Well, I thought that the issue was that part of the payments -- E-ZPass -- was based on the amount of violations.

MS. SCACCETTI: Yes, financing. Correct.

ASSEMBLYWOMAN STENDER: Okay, financing. The amount of violations that we seem to have is what -- around 4 percent? Is that correct?

MS. SCACCETTI: That's right -- 3.5.

ASSEMBLYWOMAN STENDER: Do we know what the average is for other states?

MS. SCACCETTI: I don't have that information today, no.

Does Greg?

**G R E G O R Y J. S O R I A N O:** Yes, if I come in-- Right now, we're running an overall violation rate of around 3.5 percent. But because we do have some problems in our lanes, we probably feel that the real violation number is

somewhere around 1 percent, maybe 1.5 percent. The other percentages are due to other things going on in those-- (indiscernible)

ASSEMBLYWOMAN STENDER: All right. Because apparently, when the financing was done, what level of violation was that based on?

MS. SCACCETTI: I believe it was one-half of 1 percent that was selected.

MR. SORIANO: Yes. And what they did establish-- I'm just trying to think back in time-- (indiscernible)

MEMBER OF COMMITTEE: (indiscernible, Internet microphone turned off)

MR. SORIANO: I believe they-- Oops, I'm sorry. They did establish violation rates based upon different roadways. So the Atlantic City Expressway would have a different violation rate than Delaware than the Turnpike than the Parkway. The Atlantic City Expressway and the Parkway have automatic coin machines, which tend to have higher violation rates than manual collections that you see on the Turnpike. So, they did establish, I believe, in the original base case model a different violation rates for different roadways.

ASSEMBLYWOMAN STENDER: Okay. But the overall package was 1 percent, 1.5 percent?

MR. SORIANO: It was probably around 1 percent.

ASSEMBLYWOMAN STENDER: But, yes, we don't know what the record, if you will, of violations are from other states that have implemented E-ZPass?

MS. SCACCETTI: No, I don't have that information today.



ASSEMBLYWOMAN STENDER: Okay. The question that I have is, how did this ever pass the bond financing process, if you will, to permit this as a revenue stream to pay off bonds if it had never been done before and nobody ever checked to see what would be an acceptable rate of return or an experienced level with that methodology?

MS. SCACCETTI: Assemblywoman, I can't speak for the lenders and what they saw or didn't see, or how those negotiations went that convinced them that this was a financing project that had merit and could be financed as described through violations revenue.

ASSEMBLYWOMAN STENDER: Do we know who did the bond financing and who did that--

MEMBER OF COMMITTEE: Negotiations?

ASSEMBLYWOMAN STENDER: --the negotiations?

MS. SCACCETTI: The bonds are held through the Economic Development Authority. So, I do not know who the different players were in terms of the lending institutions, but that again is certainly information we can go back and put together.

MEMBER OF COMMITTEE: I want to find whoever bought those bonds, because there's a couple of bridges we could sell them, too.  
(laughter)

ASSEMBLYWOMAN STENDER: I think there's other questions, as well, Mr. Chairman.

ASSEMBLYMAN WISNIEWSKI: Absolutely, Assemblywoman.

ASSEMBLYWOMAN STENDER: So we don't know who bought-- Go ahead.

ASSEMBLYMAN IMPREVEDUTO: (indiscernible) Who was the bonding company that sold them? Who represented this?

MS. SCACCETTI: It was done through the EDA. It was not done through the Consortium. So I am not certain--

ASSEMBLYMAN IMPREVEDUTO: We don't know if it was--

MS. SCACCETTI: --who the underwriter was.

ASSEMBLYMAN IMPREVEDUTO: Yes, the underwriter. You don't know that.

MS. SCACCETTI: Yes. I am not aware of who the underwriter was. I think that for the most part these were institutional sales. Again, I don't want to give you information that's not correct. I'd rather go back and review the record of the transaction and then respond to you in terms of who the financial advisor was, who the underwriters were, and then again, who the lenders were as well.

ASSEMBLYWOMAN STENDER: Okay.

ASSEMBLYMAN WISNIEWSKI: I think that would be appropriate. We might even want to have the EDA come in at some point and try to explain that to us.

ASSEMBLYWOMAN STENDER: I was going to say that, Mr. Chairman. I mean, in addition to some of the operational concerns that we are all aware of and want our questions answered on, this whole issue of the financing and the money flow, if you will, having to do with this project are, I think, of significant concern, and I would hope that we would be able to address that at a separate time.

ASSEMBLYMAN WISNIEWSKI: As I mentioned earlier, this is a very big issue. I don't believe that we can do it justice in one Committee meeting or in one morning. So, this is the first of, perhaps, several hearings that we're going to have to consider E-ZPass issues. And as you said so well, as we ask more questions, we then have more questions that we want to have answered, and I think we'll be able to do that in the future. Obviously, today there-- Diane is being as helpful as she can, but we're giving her new information that we need answers to as well.

MS. SCACCETTI: Thank you, Mr. Chairman.

ASSEMBLYWOMAN STENDER: Thank you, Diane.

ASSEMBLYMAN WISNIEWSKI: Thank you.

Assemblyman Bodine.

ASSEMBLYMAN BODINE: Thank you, Mr. Chairman.

Diane, regarding the transformer-- One of the selling points when I signed up for E-ZPass was the fact that it was transferrable car to car. Although I have multiple -- I have them in different cars, I was told that I could take it from my car to my wife's car if we were traveling. So that may have a bearing on why the license plate is not part of the application.

I had a question. In traveling through some other states, they have the high speed E-ZPass?

MS. SCACCETTI: Yes.

ASSEMBLYMAN BODINE: Is there anything in the future for the Turnpike or Atlantic City Expressway to utilize that type of technology?

MS. SCACCETTI: I can't speak for the South Jersey Transportation Authority as it pertains to the Atlantic City Expressway, but the

Turnpike Authority currently has high speed bypass lanes at its Interchange 6 Plaza, which is a new plaza that takes you from Florence, New Jersey, over the Delaware River Bridge. There are high speed lanes there. We are constructing a new Interchange 1 in Salem County, and high speed lanes will be part of that new interchange, as well. Whenever we have an opportunity to build a new interchange, we will consider high speed bypass lanes for E-ZPass purposes.

ASSEMBLYMAN BODINE: That's two of the interchanges I never got an opportunity to use, because I live right near both of them. I had some other questions regarding the fiber optics. Are we aggressively pursuing new contracts for leasing on the fiber optics?

MS. SCACCETTI: Well, our marketing agent for the fiber-optic network is WorldCom. And as I'm sure you're all aware, the telecommunications industry has not been performing well lately. So we have not signed any new fiber-optic leases since the beginning of 2001. We have collected approximately \$81.8 million in revenue. That's cash in-house, and we'll collect an additional 16 million from those leases over the 20-year period that the leases are for. Those are mostly maintenance and annual payments.

ASSEMBLYMAN BODINE: The \$81 million, is that a onetime payment, or is this on an annual leasing basis where that revenue stream could help pay debt service on the bonds?

MS. SCACCETTI: The 81.8 million represents up-front payments that were made by the companies that have leased fiber, but they are also responsible for annual installments and annual maintenance fees to cover the use of the fiber optics on the right-of-way.

ASSEMBLYMAN BODINE: Would there be any moneys available to-- You say it's going to be for maintenance and service. Would there be any excess revenues to help to pay for the bond debt service?

MS. SCACCETTI: We believe that there will be. We also believe that at some, hopefully, future point in time the telecommunications industry will turn around. Our fiber-optic network is very attractive because of the way it's been configured, and we will continue to lease at a future date. So that we would expect that over time we would be able to accumulate more revenue from that particular part of the project.

ASSEMBLYMAN BODINE: Thank you.

ASSEMBLYMAN WISNIEWSKI: Thank you, Assemblyman.

Diane, just a quick question. Something you raised again. Another instance of your answer raising more questions. You said that WorldCom is responsible for the marketing of the fiber-optic leases.

MS. SCACCETTI: Yes.

ASSEMBLYMAN WISNIEWSKI: Of the total fiber-optic system that was envisioned for leasing, how much of it has been leased?

MS. SCACCETTI: Seventy-five percent to 80 percent of the ducts have been leased. The way you look at that is, it's a 372-route-mile system, but at each mile there are, on average, eight ducts. So it's really much more fiber-optic miles then, or duct miles, then the route would lead you to believe. Of that amount, we have about 500 duct miles left that's available for lease. The Consortium has approximately 100 strands in its own duct that are also available for lease.

ASSEMBLYMAN WISNIEWSKI: And they are the leasing agent?  
They are the Realtor, so to speak, for your fiber-optic?

MS. SCACCETTI: At the present time, yes.

ASSEMBLYMAN WISNIEWSKI: Is there any concern about the fact that WorldCom has their own fiber-optic network--

MS. SCACCETTI: Yes.

ASSEMBLYMAN WISNIEWSKI: --and that they're going to want to lease their own network?

MS. SCACCETTI: It's certainly a concern that I've raised over the past few weeks, yes.

ASSEMBLYMAN WISNIEWSKI: Okay. Thank you.

Assemblyman Burzichelli.

ASSEMBLYMAN BURZICHELLI: Thank you, Mr. Chairman.

Actually, you just asked the questions I was going to ask. So (indiscernible) because the answers are most important, but that's what I would have asked.

Thank you.

MEMBER OF COMMITTEE: Thank you, Assemblyman.

Assemblyman Gusciora.

ASSEMBLYMAN GUSCIORA: I just have one final question. There's \$45 million left in the E-ZPass fund. Does the Turnpike Authority have a contingency plan of how they'll fund the system once that money runs out?

MS. SCACCETTI: There's also available to us \$13 million in retainage on the construction contract that is in a separate account. I know the Turnpike Authority and the other agencies, on an annual basis, have been

reserving. So that when we-- Each year, as the base case model which-- I don't know if you've heard that term. It's the financial model that is updated every November, which is what provides the numbers about the deficit that you've read and heard about. Every time that that model is updated, the agencies look at what their share would be and reserve that money. So that at the time that the money is needed, we should be able to meet our obligations under the contract.

ASSEMBLYMAN GUSCIORA: (indiscernible, Internet microphone turned off)

MS. SCACCETTI: Probably late in 2002.

ASSEMBLYMAN WISNIEWSKI: Diane, when you're talking about meeting your obligation of the contract, does that include the repayment of the principle amount of the bonds?

MS. SCACCETTI: Yes.

ASSEMBLYMAN WISNIEWSKI: So you're saying that every year there's a contingency set aside for payment of the bonds?

MS. SCACCETTI: Yes. They look at what the deficit is -- between 162 million and 300 million, which is what we've heard, and they look at what each agency's share is. There's a -- the cost sharing agreement that was executed as part of this, and they reserve based on what they believe they're going to have to true-up, as they call it, at the end of the contract.

ASSEMBLYMAN WISNIEWSKI: All right. Because one of the concerns that has bothered me is the fact that the system was premised on being paid for through violation money and being paid for through fiber-optic leases. The fiber-optic network is 80 percent leased, approximately. Of what was

anticipated to come in at fiber-optic leases, how much has come in? Are we at 100 percent?

MS. SCACCETTI: Less than 50 percent.

ASSEMBLYMAN WISNIEWSKI: All right. So we're at 50 percent.

MS. SCACCETTI: The original projection was \$205 million over the 20 years. At the present time, we have 81million, almost 82 million in house, with an expectation of that number going to 97 million over the 20-year period. So we're about \$107 million behind where we wanted to be, mostly due to the soft market.

ASSEMBLYMAN WISNIEWSKI: And we're zero on terms of raising money from violations to pay for the system?

MS. SCACCETTI: We've collected \$13 million.

ASSEMBLYMAN WISNIEWSKI: But we've spent more than 13 million collecting that, so--

MS. SCACCETTI: Right. That's right.

ASSEMBLYMAN WISNIEWSKI: The net is zero, isn't it?

MS. SCACCETTI: The net is less than zero.

ASSEMBLYMAN WISNIEWSKI: Less than zero. But we can't use those negative dollars, so-- So what you're saying is that notwithstanding those two facts -- the Turnpike Authority and the other toll roads are setting aside money to pay for this system. So, if this system were working as planned, you wouldn't have to be setting aside that money?

MS. SCACCETTI: I think that's a reasonable assumption, yes.

ASSEMBLYMAN WISNIEWSKI: Okay.



Do any other members of the Committee have questions for the Turnpike?

Assemblyman DeCroce.

ASSEMBLYMAN DeCROCE: (indiscernible, Internet microphone turned off)

MS. SCACCETTI: I'm sorry. How much?

ASSEMBLYMAN DeCROCE: (indiscernible, Internet microphone turned off)

MS. SCACCETTI: I'm not aware of \$161 million being set aside to cover the \$300 million -- the deficit as it stands today.

ASSEMBLYMAN DeCROCE: That's the number I was given by the Acting Governor. I would ask somebody to check that out, because frankly, I don't see any reason why he would not say that. In fact, he told me that he had spoken to then Jim McGreevey to tell him where the Turnpike debt was.

MS. SCACCETTI: I would have to go back and try to reconstruct where that number would have come from. I'm not aware of \$161 million being set aside. I do want you to understand though that we're in 2002, and this contract runs to 2008. If we are aggressive in putting in collection agencies and in putting in tools to collect violations, that number could improve. Is that anticipated? It's very hard to say. It's looking forward and projecting something that is very uncertain. But what we're doing now is trying to just conservatively look at where the project is, keep in communication with the Governor's Office through the Governor's Authorities Unit, as to the status of the project and do what we think is right to make the projects as successful as it can be given its current state.

ASSEMBLYMAN WISNIEWSKI: Thank you, Diane. I just want to thank you, and I want to thank Greg Soriano for the presentation.

I know, seated to your left and on my right, is Mr. Zilocchi, who is the Executive Director of New Jersey Highway Authority -- Acting Executive Director of the New Jersey Highway Authority. And maybe, Diane, you and George could switch seats--

MS. SCACCETTI: Absolutely.

MEMBER OF COMMITTEE: --so that he could just give us a little bit of a synopsis on the experience the Parkway has with E-ZPass and identify for us some of the problems that may exist.

**GEORGE P. ZILOCCHI:** First of all, I just want to add on the comment made about the lane configuration, and what you're saying, Assemblyman DeCroce, was true at the time. That has changed. We have taken-- Management has taken over that responsibility more directly. We have begun to implement some semblance of uniformity. Our manual lanes are predominantly to the right now. We have put numbers on the canopies of the plazas, and we've striped the plazas to make it easier to identify which mode of payment each plaza is -- each lane is.

We have also predominantly tried to place all our E-ZPass in the center. We have done this wherever possible, but each plaza has a different unique circumstance, depending on location. Sometimes when a plaza is in a vicinity where a major interstate abuts the Parkway and traffic from that interstate comes into the Parkway on the right-hand side, we have to be sensitive to that volume of traffic and make sure that they have accessibility to the lanes

without having to weave excessively. So we are trying to comply to this lane configuration as best as possible depending on the location of the plaza.

ASSEMBLYMAN WISNIEWSKI: Thank you.

If you could just spend a minute or two talking about the Parkway's experience in implementing E-ZPass. As I understand it, all of your lanes north of the Raritan River have E-ZPass installed, but that's not the case south of the Raritan River. Maybe you could just explain to us why that is and how that is working out?

MR. ZILOCCHI: Well, correct. We have 341 lanes on the Garden State Parkway -- 140 of them are E-ZPass, which are 48 percent of the lanes, which are predominantly the ones, as you indicated, Assemblyman, from the northern most plaza, Hillsdale, down to Raritan. E-ZPass, as far as the customer availability, has been a real success on the Parkway in the fact that we had 48 percent penetration right now. And in certain times, at commuter hours, the penetration rate of E-ZPass on the Parkway is at 58 percent. We've had to stop further commissioning of the lanes. We stopped that in October, because aside from certain operational issues -- tag read issues, lane failures -- predominantly, we were not getting the data that we felt was adequate for us to meet our responsibility to audit and to record revenue. Therefore, because of that, we stopped further commissioning until we had a better comfort level that we would indeed get that data on a consistent basis. I can say that there has been marked improvement on that. The data is getting to us in a timely fashion. We are just waiting to see and hope that it's consistent and it's not just an exception. If this trend continues, we probably will be in a position to resume commissioning in the very near future.

ASSEMBLYMAN WISNIEWSKI: As I understand it, ultimately, the plan for E-ZPass is that all lanes on the Parkway will be E-ZPass available, including those that are coin lanes.

MR. ZILOCCHI: Right now, Assemblyman, in addition to the dedicated E-ZPass, we have E-ZPass available in the manual lanes. The only lanes that have been commissioned and is not utilized for E-ZPass is the coin lanes. The plan, indeed, is to do that. We presently have a difficulty, which is being addressed by the contractor, called the trailing coin logic. What that is very simply, is that if a patron goes to an automatic cash lane and throws in seven nickels and does not wait and just keeps going, the machine is still counting those nickels. And although that patron paid the proper fare, the camera, if it was commissioned and activated, would take a picture and that patron would become a violator. That's not acceptable to us. The contractor is working on some software to address that issue. And once that is solved, then yes, we can have flexibility in all our lanes.

ASSEMBLYMAN WISNIEWSKI: Would that be on added cost to the implementation or--

MR. ZILOCCHI: No. That was part -- that was originally anticipated when the contract was let out.

ASSEMBLYMAN WISNIEWSKI: Okay. Thank you.

Do any members of the Committee have questions of Mr. Zilocchi?

(no response)

MR. ZILOCCHI: Assemblyman, thank you.

ASSEMBLYMAN WISNIEWSKI: We appreciate your appearance here today. We thank the participation of the Turnpike Authority and Parsons Brinckerhoff.

We have one other individual who wishes to testify on E-ZPass issues, and that's Fran Ehret, President of Local 194 of the New Jersey Turnpike Employees Union. Fran, would you come up.

**F R A N E H R E T:** I'm Fran Ehret. I'm the President of Local 194 New Jersey Turnpike Employees Union. I appreciate the opportunity to come before you today. What I'd like to talk to you about is people speeding through the E-ZPass lanes. This is a rampant problem up and down the Turnpike, which puts the public and our members' safety in jeopardy. Cars, and especially trucks, travel at high rates of speed, as high as 50 to 60 miles per hour sometimes through narrow toll lanes. Vehicles constantly pull into E-ZPass lanes by accident and will stop and even back out. A vehicle could easily lose control coming upon a situation like this. In fact, trucks hit the sides of the booths frequently, busting the side windows on the tollbooths and taking off the windbreakers on the sides of the booths. It happens all the time.

We feel the posted speed limit should be strictly enforced and that three strikes are too many. We were informed by the previous executive director that when Acting Governor DiFrancesco raised toll plaza speed limits from 5 miles an hour to 15 miles an hour that, in fact, they were not going to send out violations to anybody unless they were doing better than 35 miles an hour going through the toll lanes. It's very upsetting to us, and we think that this is a serious problem. We'd like you to take this into consideration with some of the improvements that need to be done with the E-ZPass as it progresses.

In fact, the entry lanes -- there is no way to maintain the speed to tell how fast cars are going through those lanes. This is a problem for the public as well as for our members.

ASSEMBLYMAN WISNIEWSKI: Fran, would you say it's predominantly a problem with the trucks going through the lanes, or is it really across the board for all vehicles?

MS. EHRET: I would say it is across the board for all vehicles, because it presents a very dangerous situation. As I said, you get cars that pull into E-ZPass lanes by accident, and they don't know what to do. So, a lot of times what they'll do is they'll back up and now cars are coming at them while they're backing out. And if somebody is not paying attention and this happens -- they look down for a second, all of a sudden there's a car there -- they have to swerve and go somewhere. We're very concerned that they're going to hit the embankment. Cars have careened into tollbooths before. As I said, the lanes are narrow. The trucks going through there at a slow rate of speed barely get through these lanes. There's a very narrow margin on either side. So, as I said before, they take out windows, they rip off the windbreakers. It happens all the time.

ASSEMBLYMAN WISNIEWSKI: Have there been an increase incidence of injuries of Turnpike employees at the toll barriers since the advent of E-ZPass?

MS. EHRET: We've had glass flying in our members' faces from these smashed windows, but that's the only types of injuries that have occurred so far. Thank God.

ASSEMBLYMAN WISNIEWSKI: Any members of the Committee have any questions for Fran?

Assemblyman.

MEMBER OF COMMITTEE: Fran, let me just say that if some day E-ZPass, the new technology were to be put in place, the plans that I saw that the Highway Authority have already drawn, would have an underground passageway for all of you so you wouldn't even have to.

MS. EHRET: We're not talking about crossing the lanes. We're talking about just being in your tollbooth.

MEMBER OF COMMITTEE: Oh, I see.

MS. EHRET: I'm not even-- They'd go under-- Most toll plazas do have those passages.

MEMBER OF COMMITTEE: I understand. But with this new technology, those barriers will be out of there. The only two tollbooths that you should have, in that case, would be where the people are collecting the actual change.

MS. EHRET: Are you telling me--

(Gap in Internet archive)

ASSEMBLYMAN WISNIEWSKI: --is with the Authority and with the administration, I'm sure that those concerns can be addressed in whatever modifications that are made.

Does anybody have any questions? (no response)

I thank you very much.

MR. ZILOCCHI: Thank you.

MS. EHRET: Thank you.

MEMBER OF COMMITTEE: What I'd like to do now is go to our agenda.

(Committee meeting continues)

**(CONCLUSION OF REQUESTED SEGMENT)**