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PUBLIC HEARING

before

SUB-COMMITTEE OF THE SENATE TRANSPORTATION AND COMMUNICATIONS COMMITTEE

on

ROLES AND RESPONSIBILITIES OF THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY

Held:

December 15, 1980

Freeholders Room

Bergen County Administration Building

Hackensack, New Jersey

MEMBERS OF SUB-COMMITTEE PRESENT:

Senator Francis X. Herbert, Chairman

Senator Frank X. Graves

Senator S. Thomas Gagliano

ALSO:

Assemblyman John W. Markert

Member, Assembly Transportation and Communications Committee

Joseph P. Capalbo, Research Associate

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SENATOR FRANCIS X. HERBERT (Chairman): Good morning. I am Senator Francis X. Herbert of Bergen County. With me today are Senators Frank Graves of Passaic, and Thomas Gagliano of Monmouth, and my colleague from District #39 John Markert who is an Assemblyman and on the Assembly Transportation Committee.

This Subcommittee has had so far four public hearings, many caucuses, and a report was issued in late September at a press conference in Newark. This is the second hearing we have had in Hackensack. We also had hearings in Eatontown in Monmouth County, Paterson and in Newark. We are here today to discuss the most important set of issues. They include what should be the role and responsibilities of the Port Authority of New York and New Jersey, what should be its powers and functions, how can we in the Legislature in New Jersey make this agency accountable and responsive to the needs and interests of the New York/New Jersey metropolitan area.

The Port Authority was established in 1921 by a bi-state contract. The cordial cooperation called for in that document has led to the creation of an outstanding professional staff, the development of airports, marine terminals, Port Authority trans-Hudson railroad, bridges, tunnels, the World Trade Center, and the worldwide promotion of commerce. The Port Authority is one of the major financial, commercial and development agencies in the United States.

The question, though, is, is the Port Authority serving the needs and interests of the two states which created it in the first place in 1921? We asked that question, because we have concern that during the past sixty years the Port Authority has developed its own institutional interests, which, at times, differ we feel from those public interests of New York and New Jersey. An example of this is in the area of public transportation. For many years, the Port Authority's idea of regional transportation was one person in one car crossing the George Washington Bridge. Although the Port Authority's mandate emphasized transit as well as commerce, rail transport has consistently been slighted. Slighted may be too weak a term. According to Annmarie Walsh's study - and Annmarie will be here later to testify - "The Public's Business," previous Port Authority Directors went out of their way to avoid any commitment to railroad improvement programs and "actually solicited financial community restrictions in the form of bond covenants to avoid such a commitment." I also doubt that the PATH system would have been rehabilitated if the project had not been linked in the legislation to the construction of the World Trade Center.

Now, our experience with the Port Authority assistance for the purchase of buses has led to further disappointment and it has been a continuing interest and concern of this Committee. Bridge and tunnel tolls were raised from \$1 to \$1.50 in May, 1975, more than five years ago, with the expectation that \$120 million would rapidly be pumped into New Jersey's public transportation system. That was the so-called TRANSPAC Program, which was developed early in 1979 by our new Commissioner, Louis Gambaccini. That was not to be the case, even though an extra \$40 million a year, poured into Port Authority coffers, because of the toll increase. It was not until 1978 that the TRANSPAC Program was announced. We learned that the Port Authority would bond for, not provide in cash, \$120 million worth of buses and as late as September, 1980, the Port Authority attempted to renege on this commitment. The Port Authority's posture was that, without another toll increase, it could not fund its share of TRANSPAC.

Our bus improvement program was held hostage, we feel, to the toll hike. On September 8th, we met with Commissioner Sagner and Executive Director Goldmark in the World Trade Center, and we were told by those gentlemen and by the financial people that there was no way that the full \$120 million could be provided to the State of New Jersey. But, about six and a half weeks later, in October, 1980, its financial picture changed. The money could not be made available without a toll increase.

Now, this Committee finds several disturbing items concerning the bus purchase situation. First, the Port Authority had and can have in the future, the States of New York and New Jersey over a barrel. It does what it wants to do when it wants to do it.

Second, we do not have a real grasp of Port Authority financing. How can its financial picture possibly change so rapidly from September to October? Again, to quote Professor Walsh, "Its confidential accounting system gives the Port Authority the degree of freedom found elsewhere only in unregulated, private firms. The Port Authority maintains an integrated financial system, except for PATH, and New York and New Jersey have no control as to how the books are kept and very little real control over how the money is spent."

The increasing inflation has made everybody's bookkeeping and financing hard, and we agree with Commissioner Sagner that especially in these difficult times, the Port Authority should have a sound, financial policy, otherwise, it cannot do what it is supposed to be doing. The question is, what is it supposed to be doing? It was the Port Authority that initiated and fought for the industrial park legislation. Was their financial picture different then? Have communities in New York and New Jersey benefitted from that program? Can agencies other than the Port Authority develop industrial parks? Should the Port Authority drop industrial park development as one of its functions and let our states, New York and New Jersey, handle that activity? Again, it was the Port Authority that initiated and fought for construction of the World Trade Center. Given its limited resources, was the Port Authority the appropriate developer for such a complex? It was the Port Authority that initiated and fought for the Route 81 interchange. The New Jersey Turnpike Authority in testimony before our Committee claims that such a project was not on its priority list. Was that project really necessary?

Now, we don't question the need for industrial parks, economic development, office, or highway construction. We question whether the Port Authority itself should be undertaking such projects. Such endeavors had turned the Authority's attention away from what should be its proper concern for public and freight transportation in the Port district. This Committee issued a preliminary report in September. I am gratified to report that many of the points raised in that report have come to pass. We argued in the report that New Jersey Transit, not the Port Authority, should own New Jersey's largest bus company, Transport of New Jersey. That is now a fact.

We advocated sale of the World Trade Center. Independent of our recommendation, indeed on the very day that we issued the report, Governors Carey and Byrne have endorsed such a sale. We demonstrated that bridge and tunnel tolls do not have to be increased; they have not been, and we feel they should not be. We called for changes in the Coast Guard's regulation of bridges. They are now operated for the convenience of rail passenger service,

not pleasure boats. We called for a move toward Federal block granting funding of highway and public transportation. One has but to read the newspapers to sense the shift in this direction.

Our report also called for restructuring the Port Authority, so that its primary focus would be bi-state transportation matters. The Port Authority, as we know it, was created and developed during a time when there was no New Jersey Transit Corporation to possibly operate airports, no economic development authority to create industrial or office parks. New York and New Jersey now have or can have if they choose, those kind of governmental capabilities. We are not allowing or calling for a re-examination of the Port Authority's structure function, purpose, and powers. New York State Controller Edward Reagan has suggested that New York and New Jersey "Control and shape the future direction of the Port Authority and develop a clear, public definition of Authority priorities in the next decade." Our aim is not to kill the goose that laid the golden egg, or to take a winner for granted. We have a great respect for the people in the Port Authority and I might say that the cooperation of the present Chairman and the Executive Director to this Committee has been exemplary. They have constantly tried to communicate with this Committee, and I want publicly to commend them for that fact.

We want to have a bi-state authority that is accountable and responsive to the needs and interests of the New York/New Jersey metropolitan area. Do any of my colleagues have any statements before we call the witnesses? Senator Gagliano.

SENATOR GAGLIANO: I have a brief one. At the close of your statement, Senator Herbert, you said that our aim is not to kill the goose that laid the golden egg, and that is absolutely true.

I want to amplify on that to state that it is crucial for us to remember who has provided that golden egg. It has been the people of New York and New Jersey and other persons who pay \$1.50 every time they use the bridge and tunnel crossings; it has been the two states and their municipalities who have provided the Port Authority with tax free development with the lands necessary to expand. It has been the parking fees, the bus loading and landing fees, whatever they call them, the airline companies who pay landing fees at the airports, the concession fees and the various operations of the Port Authority, the rents that people pay, those are all public monies, and I don't want to get away from that fact.

What we have to do is get beyond the mystique of the so-called Port Authority just because of its size, its power, its wealth, and its multi-facetness. We have to remember that it really is created for the people and even though it has special qualities, and they have created certain benefits to the region, that it cannot be larger than the people themselves who developed it and who paid for it. Unlike other authorities, such as a water authority, or transportation authority, or even the New York City's MTA, which is having many problems, and I want to talk about that briefly - even though I know it is out of our sphere today - it is very hard to define what the purpose of the Port Authority is, and it seems that from time to time we come up with new ideas for the Port Authority to develop new projects. Maybe some of these are created by wishes

of the individual states. Maybe they are created in the minds of the people who run the Port Authority. But, what is exactly the role of the Port Authority, and should it continue to expand?

It can be said that without the existence of an institution like the Port Authority many valuable projects may never have been done. Our concern, though, today is with the future. I think we have to plan for the future. I think it is interesting. Senator Herbert mentioned several things that this little Subcommittee called for and some of them have come to fruition, and I didn't even think about it. You have created the laundry list. But, these are things that we were thinking of and asking for. For example, we asked for the TNJ purchase and other things. These seem to be coming about somewhat. So, what we want to do, with your assistance today and with the assistance of the people of the Port Authority itself, and the residents and friends that we have here, is to plan for the future.

One thing I still feel very strongly about, of course, is the sale of the World Trade Center. I think that at an appropriate time in the not-too-distant-future, the sale of that to private enterprise will make a tremendous difference in the balance sheets of the Port Authority and will give it the opportunity to invest more in transportation of people and freight, which is extremely important to all of us.

Mr. Chairman, before I finish this little comment, I would like to suggest that our Subcommittee, if we can put the time together and can obtain the invitation - and this is off the beaten path of this hearing - I would like to suggest that the three of us and our staff and anyone else who wishes to come along get one way or another an invitation to the MTS garages and offices in New York City and find out what has happened with the Grumman Buses that we now have contracts out for 139,000 and some dollars apiece. If New York with all its problems can take those buses off the road, or order them off the road for repairs, it seems to me we have a responsibility to our constituents and to the people in the State of New Jersey to go over there and see firsthand what the problems are. I will make myself available even though it is a difficult time of year. I would like to suggest that we do it within the week, and that we try to get Mr. Capalbo, or any other member of our staff, to make contact with the MTA personnel and that we go there and find out exactly what is happening. If necessary, it may be that our Subcommittee would make a recommendation to Mr. Gambaccini and Mr. Primo that we postpone the purchase of those buses. I am very concerned that we are going to get something that is going to be defective. We have been hearing about this for three months now. And, finally, New York takes them off the road.

Just this weekend and, in fact, this morning it was the first day that it did not operate, apparently, any of them. So, I think that we ought to go over there and find out what is happening, and we will then be in a position to report back to Mr. Gambaccini and Mr. Primo and to the NJ Transit Board and to our colleagues with respect to this purchase, and maybe it should be cancelled. In a way, I would rather see us have some liability for damages if that could be proven, than to accept delivery of, I think, 371 buses that would be defective. So, this is a decision I think we have to help with and I would like to go there.

SENATOR HERBERT: I think that is a good idea. Soon after the stories appeared, ladies and gentlemen, Senator Gagliano sent me a communication expressing his dismay at the performance record of the Grumman Flexible Buses. We held a hearing in Trenton, and Mr. Primo, I might say for the record, said that if our on-hands supervision for the construction of those buses found any serious flaws, then we would cancel that contract. That was my understanding from Mr. Primo. I understand that he and members of the staff are going out to the midwest to check on the manufacture of these buses. Perhaps we may have to go your route, Senator, but I think it is a good suggestion.

Senator Graves.

SENATOR GRAVES: Okay, I am supportive of what the Senators have just said. I have spoken to Mr. Primo and asked for the very same things that you have asked for. He is trying to set it up so that we can go to Ohio with him. But, I want to get back to the importance of today's hearing.

I found myself in a very key role in trying to understand and maybe procrastinating for time to see that some of these things were resolved. In two specific committee meetings I held hostage Senator Gagliano's resolution from going to a floor vote, and withheld my vote of support for it, because I wanted to believe the things that I was hearing.

I also found myself in a very peculiar role on our visit to the Port Authority, in that I found myself to be in opposition to my fellow two Senators because all the things that I was asking of the Port Authority representation there, I was being told were impossible. There was a suggestion to sell the World Trade Center. This couldn't even be discussed. It would have to be years down the road.

Also, we discussed the fact that the buses purchased tied in with the raising of the fares, and I again found myself in a hostile position with my two fellow Senators because of the facts and figures that the Port Authority was portraying to me. When you sit back--- If this were in a time constraint of two or three years, and you could possibly believe all the things you were being told--- From September to November, the incredible things that we asked for that we were told were impossible, are announced by one Governor or another. I am not an appointment of this Governor; I am elected by the people. But, I have a great deal of respect for him, and I believe his sincerity and motivation in this. But, when we have certain things said, and other things put into the limelight, when in fact we sat in your offices, and we initiated the conversations, and you told us these things were impossible - you said they could not be possibly done or even talked about - then, six weeks later, we find that everything is exactly the opposite, I am wondering whether I was in a world of fantasy for that particular morning until we were rushed out, because the Chairman of the Board had another important meeting that he had to go to. That left me with some incredible disbeliefs. Therefore, with the exception of the Chairman of that particular board, or any of the Commissioners, since they are appointments of the Governor and have to be confirmed by the Senate - so we do have some recourse there - I propose that all other employees go under oath when testifying before this Committee, and I so move that.

SENATOR HERBERT: It is my intention, Senator, to put everybody who is appearing before this Committee today under oath. I feel that I will make no exceptions. I think everyone should be under oath, because it is being stenographically

reported, and there is a record being made of this hearing today. Assemblyman Markert, do you have anything further to say?

ASSEMBLYMAN MARKERT: Thank you, Senator, I have nothing further to say, other than to thank you for the opportunity to represent the Assembly Transportation Committee here today at these hearings. It is important, I think, for us to continue the total cooperation that we have found so far taking place this year between the Senate and the Assembly with reference to the Transportation Committee and its actions. I know we are addressing today, both in the Assembly and the Senate, legislation that will help solve some of the problems that have been brought to our attention through the questioning and the testimony that have been presented in these hearings. So, I thank you for that opportunity and my report will go from here to the Assembly Transportation Committee. Thank you.

SENATOR HERBERT: Thank you. Our first witness will be Alan Sagner, Chairman of the Port Authority Board of Commissioners.

A L A N S A G N E R, sworn: Thank you. We have exchanged some niceties before the meeting, and in some of your remarks you have said some nice things, and, Senator, I wish I could respond in the same way, but I find I am moved to some extent to a sense of frustration and maybe anger is too strong a word, but I will use it, because I have just seen your statement for the first time, and I am disappointed, and have some other stronger feelings if these statements truly reflect what you see. To that extent, I share with Senator Graves a feeling that we are in an area where we are not communicating and understanding what the other side is trying to say. I think this is a most important opportunity to exchange some ideas and to try to put some facts on the record.

For that reason, I will go through my prepared remarks as quickly as I can - you have a copy of that- and then try to address some of the statements which have been made this morning, which I think go to the heart of our problem.

I have with me the Executive Director of the Port Authority, and some of our staff, and they will be able to supplement what I say and answer any questions that you might have.

First, I wanted to say for the record that I appreciate the opportunity of appearing before you. As I understand the purpose of this hearing, it is to focus on three aspects relating to the Port Authority:

1. Whether the Port Authority satisfies requirements of accountability;
2. Whether the Port Authority should depart from its "traditional roles" in serving the region - whatever those might be;
3. What are the Authority's plans and priorities to best serve the two states.

Let me give you an overview before I address those points. For almost 60 years, the Port Authority has served this region. It has evolved from an agency - if you have been reading the history of the Port Authority, or according to some of those who have studied the Port Authority - charged with a rail freight planning responsibility. That was the original responsibility of the Port Authority, and it has developed into one of the most effective mechanisms for managing and capitalizing public works, not only in this nation, but around the world.

The Authority, as it stands today, is not only one of the most efficient managers - as generally accepted and as acknowledged by you in your remarks -

but is a successful capital producing machine. It is capable of moving rapidly and effectively and on a large-scale basis to develop public projects and programs consistent with the needs and approvals of the two states it serves.

As you know, the Port Authority's district is an area roughly 25 miles surrounding the Statue of Liberty. It also coincides with the older inner-city areas of New Jersey, and I need not have to remind you that these areas which we do serve have precious few other government, or quasi-government structures available to them that have the solvency or the proven record to manage, and manage profitably, as the Port Authority, in the interests of the economic and physical well-being of these areas.

The well-managed network of facilities under the jurisdiction of the Port Authority has enabled us to raise funds to continue to add and improve and create new programs that mean jobs and tax generation of businesses throughout the region. I might say as an aside to Senator Gagliano, we never represented that we created money out of the thin air. We are no different than any other enterprise, whether it be government, quasi-government, or private enterprise. We must get money from the public. We understand that one of the problems is that Washington is accused of printing money. We don't get money. We extract it as you do in Trenton. It is a question of how efficiently you operate those income-generating facilities, and what you do with the money.

One of the greater advantages of the Port Authority is that we are a network, a combination of facilities, where our winners can pay for our losers. Hopefully, the losers don't continue to be losers forever, but through the period of gestation and growth, we have the ability to provide the SEED money and to develop facilities. You mentioned MTA. It is our view that PATH would not be the best commuter rapid transit system in America, if not in the world, if it were not part of the Port Authority network.

In northern New Jersey, the Port Authority's investments surpass all public efforts with the possible exception of the State of New Jersey itself. There are some two billion dollars in Port Authority assets in capital, serving northern New Jersey. This represents 100,000 jobs and assures the transportation vitality for the burgeoning industrial and recreational and residential activity in this area.

In a five and a half year period through 1982, if we are allowed to continue, we expect that we will have invested a half a billion dollars - here is a chart that demonstrates the point that I am making - one-half billion dollars in capital projects in this area, which translates into a \$300 million payroll and \$10 million in New Jersey personal income taxes. By any standards, the Authority is a major asset in this region. It has developed in the two states, and our region, \$4 billion in capital. It has done so without draining the public purse. Yes, the Port Authority does not pay taxes, something which is often criticized, when people are running in political campaigns, or want to get an article in the newspaper; they claim that the Port Authority doesn't pay taxes in this community or that community. But, if you are looking at the history of the Port Authority, and ask Ms. Walsh to tell you about authority's around the country, yes, we don't pay taxes, but we are an exception in that we don't take taxes as most other authorities do, either in the form of public credit or direct subsidy.

The Port Authority, which operates over a five-state federal compact, is unique in this country structurally. As I said, it receives no tax levies;

and we also do not depend upon the faith or the credit of the State, of the counties, of the municipalities in which we operate. That might be in some of the public facilities of this State, as we go into recessions, a very serious problem.

When the Authority was established back in 1921, it was given a broad planning mandate which later became more defined to carry out specific operational mandates. In effect, despite statements made time and time again about the "traditional roles" of the Port Authority, there are really no traditional roles, but responsibilities which have been authorized from time to time, and I quote what the compact says, "To make plans from time to time for the development of said district, supplementary to or amendatory of any plan therefore adopted, and when such plans are duly approved by the Legislatures of two states, they shall be binding upon both states..." And I would like to say as an aside, if you have been looking into the writings about the Port Authority, in 1928, the State of New Jersey proposed that the Port Authority be involved in public transportation, when transportation was by rail. The New Jersey Legislature passed authorization to the Authority to get involved in public transportation, and the Port Authority even before the passage of that legislation was contributing to a Committee that was studying transportation. New York City resisted the Port Authority involvement. Finally, in 1928 New York passed the counter-legislation authorizing the Port Authority to receive a bi-state committee to explore the role of public transportation and the legislation was vetoed by Governor Al Smith who was one of the founders and then a Commissioner of the Port Authority because he said, "Let them stick to the job they were created for."

So, what the traditional role of the Port Authority means is depending upon the view of the person who is studying history. Our role changes from time to time. Consider, for example, the Authority's actions to build the nation's first and largest containerport and convert a marshland in Elizabeth and a rundown military facility in Newark into one of the northern New Jersey's most important economic generators. That was not in the mandate. It was something that we did, because no one else could do it. It was no accident that after the City of Newark asked the Port Authority to take over Port Newark --- After it was thoroughly studied by the Port Authority, the City authorized an outside agency to study what the City should do with this airport. The independent study recommended that the City negotiate with the Port Authority to take over, because the city didn't have the resources to raise the \$70 million needed to improve the airport which has become a part of one of the world's greatest transportation systems, in which the Port Authority to date has invested \$400 million. This one project alone represents 19,000 jobs and contributes \$300 million annually to the economy.

I need not recite a similar litany as it applies to the bridges, tunnels, PATH and the bus terminal - all of which played a key role in New Jersey's development. What about the future? Let me again, as an aside, Senator, I believe you made the statement, "But for many years the Port Authority's idea of regional transportation was one person in one car crossing the George Washington Bridge." May I point out to you that it was the Port Authority along with other agencies that developed--- First of all, we developed the bus terminal in New York, the consolidated bus terminal to promote transportation, not just one person in the car, but fifty or sixty people in a bus. As you know, we are constructing a \$180 million addition and remodernization to that bus terminal. We developed

along with other agencies, the very successful exclusive bus lane to encourage people to travel by bus, not just one person in a car. This Thursday we will be celebrating the anniversary of the completion of that facility. We have pioneered providing discounts for car pool users. But, to say that the Port Authority's idea of regional transportation was one person in a car, I believe, represents a misunderstanding of the Port Authority's role, and I will not mention in addition that which we have put into the PATH project and the Journal Square transportation center which certainly are not facilities designed to encourage one person in a car.

Now, about the future. In 1977, shortly after Peter Goldmark and I took over our respective responsibilities, we raised the same question then that you are raising now. What about the future? We don't believe that any agency can be static and we authorized a major internal review of the very questions you posed, what are the missions and priorities of the Authority as we embark on the decade ahead?

Specifically, it was agreed that among the critical issues confronting the region at this time was first, and foremost, the need to stimulate the economy and restore jobs and economic activity which were seriously impacted during the recession of the '70's.

The study confirmed that there was a serious deterioration of the region's road networks, its bridges, rail lines, mass transit plant and its water distribution systems. The planners call it the infrastructure. But, it can better be defined as the lifeline of a modern society.

I might say as an aside, again, Senator, in response to your remarks about the advantage of having other agencies provide or be responsible for those activities that the Port Authority manages --- Again, to quote you: we are good managers with a good staff, and we do a good job. Let's take a look at some of the other facilities in this region which fall under that grouping of infrastructure which have not been managed by the Port Authority. Ask Commissioner Gambaccini what he has found to be the condition of highways, and the interstate system which isn't even completed, which is already falling apart, and the bridges in our state, and our transportation system, The drought problem that we are living with right this minute, who has been responsible for the management of those facilities, the condition of our mental institutions, and many other facilities in our State; and how well have those been managed, compared to how the Port Authority facilities have been managed?

Among the other things that we saw besides the need to develop jobs for this region, we saw a need to redevelop the deteriorated waterfront in our inner harbors, which is a blight on both sides of the Hudson and a potential magnet for new economic activity.

We agreed in our study that the preeminence of our regional aviation network was a major plus for our economy. But, we can't be complacent and say because we are number one now, we are going to continue to be number one in aviation. The foresight and the planning that made us number one must be applied to the future so that we remain in that position to maximize the contributions of the airports in developing jobs and promoting commerce and tourism.

We have also been looking into the future energy needs of our region. We as an agency are very sensitive to energy, because much of our income comes

from oil-based activities but also the whole economy of this region is particularly sensitive to the cost and the availability of energy, and this is something else that we are studying.

We also recognize that we must address ourselves to the marketing of the products of this region and the activities of our port. Again, we are the number one port in the country. We got that way because of planning and foresight. We won't remain that way unless we involve ourselves in planning.

Finally, we recognized a need to rationalize and improve the movement of people and goods throughout the region, and there we are working with the two states for the first time to set up an agency of New York and New Jersey to plan together for the movement of freight and trucking on a coordinated basis in this region. No one else is doing it. The Port Authority has initiated such an effort.

Now, we said this to you in our private meeting at the World Trade Center, and we have said it to you privately, and we said it to you at our previous hearings, and I will say it again and again: The requirement for financial self-sufficiency of the Authority dictates that it cannot undertake ventures that we are unable to support through the revenues that are available to us. Now, I know and I anticipated that we would be criticized this morning because we deferred action on the recent bus purchase programs because the financing element the earlier part of this year was much more negative than it appeared to be in later projections. Now, it is ironic that we have to take this heat, this criticism, because the Port Authority was the originator. It was the architect of the bus purchase program. In 1975 after we had proposed that the Port Authority make funds available for public transportation, the decision of the Supreme Court prohibiting us from investing in rail transportation, and the insistence by the State that we provide a balance, not just a bus program, started us in our effort to make those funds available to the State. And, it was the Port Authority who developed the ingenious idea of purchasing buses and using that as a match for federal funds, a unique idea. I personally went to Washington and proposed this idea. It was something that had never been suggested before. It worked through the jungle of bureaucracy down there - not without some help of some very good people there - and received approval for this imaginative plan that would enable us to keep a commitment that we wanted to keep - not one that we had been accused of attempting to renege on.

We would not have expended that kind of energy or made that effort if we were not sincere in seeing that our commitment was realized. And, the deferral, as I call it, was based on the information that was available. Now, this has been an unusual year for anyone who has been involved in finances and in business and watching the market, what happens both in the financial market and the real estate market. I don't think there has been a precedent.

Other agencies, both state and private, have seen radical changes in the beginning of 1980 to the third quarter. If I am not mistaken, as I read the reports in the local newspaper, many of the agencies of state government have been coming back to you with changes in projections that they saw in the beginning of the year that have changed radically. I know that there are banks and financial institutions and private concerns who are in serious condition because of the radical changes in projections. When we saw the cash flow projections

change, we were the ones who immediately said that we now can keep the commitment that we had made. We saw some indications of that earlier in the year but we had no way of being assured that they would continue on sufficiently for us to make a long-term commitment. When we saw that these additions to our income - which was primarily additional financial income from basically the increase in rents and turnover in the World Trade Center --- when we could see with some conservative judgement that that income was going to remain with us, we immediately fulfilled our commitment. There was no deception. There was no attempt at deception. There were no games being played. I think you should understand what our position was and put that behind us.

While we are dealing with facts versus perception, let me talk a little bit about accountability, because I think this is really the heart of your concerns and I share that with you. I am well aware that the Port Authority in some years past had developed a reputation - in some cases it was unfairly and in some cases maybe deservedly - of being indifferent, of being somewhat removed from public scrutiny and subject to the kind of criticism that public bodies both appointed and elected are sometimes subject to, sometimes fairly and sometimes unfairly.

Now, I didn't come to debate the virtue of past Port Authority practices, nor the perceptions of those. I can't take credit nor blame for that. I am here now today to tell you who we are and what we hope to be in years ahead. It was a popular sport over the past decades to accuse the Port Authority of not being responsible, but I don't believe that is a legitimate statement. It doesn't serve any purpose, nor does it really have any credibility in this era of public recording, of freedom of information, of open meetings, of intensive press scrutiny and all the other safeguards, including the initiatives we have taken to communicate with this Committee and other committees of the Legislature of both states. The accessibility to information is as easy as asking for it. If the legislatures in their two wisdoms ask us to send you carloads of detailed information, gentlemen, we will have no alternative but to do it, and we will do it. I think if there is anything that the public is saying now it is, let's have responsible government, and let's have government that tells us the things that we need. Let's not create a lot of unnecessary paperwork for the sake of having paperwork.

There is no member of the Legislature, or anyone in the State, the Treasurer's Department in the State of New Jersey, that has the responsibility, or the Controller's Office in New York that has the responsibility for oversight of the Port Authority who have said that there is one piece of information that they have ever asked for from the Port Authority that wasn't forthcoming and forthcoming in a manner that could be understood very clearly.

We are audited, questioned, challenged, reviewed and monitored as much as any other - and probably more than any other - public agency in either of the two states. As my speech writer had me poetically say, let me paraphrase Browning, "How are we accountable, let me count the ways."

SENATOR HERBERT: That is one of my favorites.

SENATOR GAGLIANO: That is not quite the quote, though. It may be out of place here.

COMMISSIONER SAGNER: All right, let's look at the facts, are we accountable, or are we remote? Bear with me. I say we are accountable. Who

are we? The Port Authority is run by twelve Commissioners, six appointed by each governor with the approval of you, the Senate, all of whom bear a serious responsibility to insure the integrity of our agency. We are accountable, because no new capital projects can be authorized unless they are expressly approved by the legislatures of the two states. And, very often, we are criticized for those projects before the ink is dried on the approval of the legislatures for the projects as they are approved, but we cannot undertake any major new capital project without specific authorization. That includes industrial parks, the World Trade Center or anything else that the Port Authority does.

We are accountable because each Governor has a right to veto the monthly minutes of the Board. In other words, every month, every official act that we undertake, every contract that we enter into, every agreement that we make, every program that we undertake that is reported in our minutes, is subject item by item to the veto of each Governor, and believe me, they and their staff read them very, very carefully.

We are accountable because we have voluntarily adopted the freedom of information regulations comparable to that which the two states have enacted - although by law we are not subject to the freedom of information regulations.

We have instituted voluntarily tough regulations in the areas of conflict of interest and operating ethics, beyond that of either State. That is done voluntarily by our Board.

We are accountable because we have expanded our information and community relations programs to insure fullest and rapid dissemination of information to the press and public. We hold briefings for public officials so that they can better understand what we do. We had, I believe, almost fifty public hearings before we came to the Legislature on the industrial park program. That is accountability. And, we have met right here in this building with the Freeholders of this county as we have with the freeholders of every county in the Port district, so that they can understand us. That is a definition of accountability.

I can assure you that so long as I am Chairman, and I can speak for Peter Goldmark, our Executive Director, and the Board of Commissioners as well, we will call the shots as we see them. As you know, Senators, I and all my fellow Commissioners serve without pay or any other rewards. We work hard and we put in long hours. We are not a homogenous body. We are of different political parties, different business backgrounds, and different professional backgrounds, but we have one purpose. We have only one business, and that is to serve this region. We have no profit motive in the business sense. The funds that we receive go back to the region. The public that Senator Gagliano referred to, they are our stockholders, and they reap the benefits. It is our responsibility to exercise the judgements and fiscal prudence to assure that we can continue. It sounds as though I am proud of this Authority and I want you to know that I am, and I hope that we can provide you here with information today so that you can begin to understand the source of this pride and how we can be an important part of the future hopes for this region, a goal we share. Thank you.

SENATOR HERBERT: Thank you, Mr. Sagner. You were angered particularly by one sentence in my statement about one person in one car crossing the George Washington Bridge. Perhaps that sarcastic statement was a little strong. When we sat down to draft this statement, we had been talking about the great rise

in price of the laying of concrete in the thirties and forties and right into our own lifetimes into the present day, which thank heaven has stopped, but which effectively, I think, killed public transportation in our area. The love affair of the American people with the motor car is something we cannot blame anyone for, except the American public.

Yes, the Port Authority did develop the idea of the bus purchase program, but it was tied to the rise, I believe, in the tunnel and bridge tolls. I think at that time Dr. Ronan could not sell that toll rise without some promise, and that was before you arrived on the scene, Commissioner. In fact, I am reminded of the story that Senator Sam Ervin tells about the preacher who called most of his congregation sinners and bawled them out, and after his sermon one of the parishoners came up to him and said, "It was a nice sermon, Reverend, but all the guys who should have heard it are back home in bed." And, I think a lot of our anger has been developed because of a promise given to us in 1975 that we would have that money for the bus purchase program, and then when you came in and said the money was not coming, we were upset.

CHAIRMAN SAGNER: The money was not promised for a bus purchase program.

SENATOR HERBERT: Well, it was promised, \$120 million for public transportation.

CHAIRMAN SAGNER: Yes. In fact, the project at that time was for the extension of the PATH to Plainfield, which started a lot of controversy about whether that was what should be done with the money. But I am repeating what I said when I was with you the last time, that one of the first statements that I made in the Assembly Transportation Committee, was that there was a misunderstanding of Dr. Ronan's pledge of 1975. The record will show--- You know, Senator Graves wants us to be under oath, the truth is the truth and what is written down last--- Sometimes we don't understand what people say. If you look at the record of 1975 and the resolution of the Board of Commissioners, and the letter by the Port Authority to the two governors, the facts were very clearly stated that the money was needed because the Port Authority was entering a period of inflation and that it needed additional income to meet the inflationary problems, and in addition, it could borrow the money, not give you the cash as you said in your statement. It was right there in writing that it could then borrow the money to provide for the construction of a new bus terminal and to provide \$120 million for public transportation to the two states.

When I appeared before you last time, I said that we were concerned about our ability to fulfill that complete commitment, that, since 1975, because of the problems of the bond problem, the change in the project and how we get the money to you, inflation had eaten up the money that had been raised by the toll increase. We didn't renege. We had committed over 70% of the 1975 commitment, and what I said, I have my statement right here, was we didn't walk away from the commitment. I said that unless we had additional revenues, it would not be prudent for us to fulfill the balance of that commitment at this time. It appeared at that time that what was available to us was a toll or fare increase, but when we found out that the rentals at the World Trade Center, the white elephant, was delivering very valuable benefits to us and that the income from our investments was much better than we had anticipated and had looked forward to over a number of years, we immediately kept that balance of the commitment, the minority part. The majority part had already been kept.

SENATOR HERBERT: Have you read the report that we issued, Commissioner, in September, this green-covered report?

CHAIRMAN SAGNER: Yes.

SENATOR HERBERT: The Committee Report says, "The figures show that the Port Authority can live up to its \$170 million public transportation commitment. Tolls and fares do not have to be increased for that commitment to be upheld."

Now, we issued that report soon after meeting with you and your staff at the World Trade Center and we still felt at that time that you could give us the money and we would not have to raise tolls. Four weeks after a report was issued, you did in fact release the money. I am not saying that we did it like Chant D'Clair, the rooster who thought that his crowing brought the sun; sometimes there are bigger forces at work here.

But, just part-time legislators with a single staff member came to the same conclusion which you came to four weeks later.

CHAIRMAN SAGNER: You know, you talk about the Chant d'Clair. There is the post hoc, ergo propter hoc theory, after this because of this. And, there is this public relations man, brought up in a rather poor section of New York, who said in those days there was a great concern about polio, and his mother had him wear a bag around his neck with camphor in it. He never got polio, so you could assume that it was an effective cure, and the Salk injections were really not needed because he survived. He never got polio. Your statement that we could provide the funds without a toll increase is the same thing that was said by the controller of the State of New York. Both the figures that you used to make that statement and the figures that Mr. Reagan used were the same figures that we used to say that we couldn't do it; and if we had those same theories today, we would say we can't do it because we had to borrow the money in order to do that; and based, not on the figures of 1979 or 1980, but the projections for the years '81, '82, and '83, the indication was we would be in very serious financial difficulty at that time if we made a capital investment that had to be paid back over a long period of time. And, as Peter Goldmark expressed it, what you were saying to us in that report and what Mr. Reagan was saying to us in that report, was "Go ahead and jump out of the airplane; you will find a parachute before you hit the ground." We don't believe and we still don't believe that is a prudent and responsible way for those people who have been appointed by the two governors to act. We changed our minds, because we saw by the end of the summer, the beginning of the fall, income that might have been transitory, which is now not going to be transitory. We were locking them in with long-term leases and with renewals at the World Trade Center, and with monies that had been invested that would remain invested that could enable us to prudently make that decision.

Now, I think we could argue this forever. It was a very simple point then: Do you make a commitment that you can make today, not knowing that you can continue to make the payments? And that was a difference in judgement between us.

SENATOR HERBERT: Would you concede that you can see our point of view, our point of frustration here too? Would you concede that you can at least agree with our frustration if not the conclusions that we made?

CHAIRMAN SAGNER: I have had nothing but admiration for the frustration and other problems when I can survive this problem. But the magnitude of problems that you as Legislators have to face every time I pick up the Star Ledger or

the Record and read what is happening in Trenton and the problems that are presented to you and the limited resources that you have to solve those problems, I can appreciate your frustrations of an agency that looks like it has limited resources and yet doesn't immediately do what it is asked to do.

But, we have not developed since 1921 into the agency that has accomplished what it has for this region by not acting in a responsible way and sometimes we have had to take a lot of heat. We are prepared to take it. If you listen to Professor Doig or Annmarie Walsh or Professor Stein, they are going to have some criticisms of the Port Authority. They are going to have some criticism of agencies, but one of the advantages of agencies is that we are somewhat--- We have two advantages; one, is insulation. We are, to some extent, insulated. In some cases it is bad. Maybe we don't respond as quickly as we do. Perhaps the Legislature could perform in a more responsible way if you were more insulated. But, that is the nature of our system. You are not insulated, so you must respond differently than we because we are insulated to some extent from the political process. We are appointed for six years. We are not running for office. We can make decisions that are unpopular. I remember at the APTA convention in New York, the American Public Transit Association, we went there a year ago last summer, and one of the public officials said at that time, woe be any politician that dare raise the fare on the New York City subways, and he was right; it is a tough thing for an elected official to raise the subway fares in New York, but that is one of the reasons why the subway is in the bad condition that it is in, because the income has lagged behind a real need to maintain the system. The Port Authority is insulated to the point that we can make unpopular decisions.

The other advantage of an agency is that we continue through one election to the next election with the same group of people, not turning over every four or six years, so that we can have continuity of programs, and we can plan for future programs.

I just hope that in my remarks I cleared up your point on page three where you said it does what it wants to do when it wants to do it. If there was ever a myth about the Port Authority, that is a myth. I mean, it is almost as big a myth as the fact that the World Trade Center is dumping its sewage into the Hudson River. We have been trying to correct that one for eight years, and there are people down the shore that still believe that the Port Authority dumps and did dump its effluent into the Hudson River, and this myth that the Port Authority does what it wants to do--- I mean look at PATH. We don't do what we want to do when we want to do it.

SENATOR HERBERT: I think that came about right after the release of the funds. Really, you did that. I congratulate you.

CHAIRMAN SAGNER: Yes, because there were numbers. I will be very happy to sit down with you and show you our computer printout that we had on the days that we met with you here in this room, and the days that we met with you at the Port Authority. Then, toward the end of the summer when the computer printout started showing numbers that we did not think were permanent, but transitory numbers, when they looked like they were going to stay in our statement, we didn't hesitate. We knew we were going to get egg on our face. We would have been better off toughing it out than to make that 180 degree turn so quickly.

SENATOR GAGLIANO: I think you would have been better off if you had sat with us that day at the Port Authority and said, "Gentlemen, friends,

we are asking the computer to bring us up to date, and we will be back to you in a month. If we can do it, we will do it." You were very emphatic, as Senator Graves said. You were very emphatic with the old "no way" cliché that we could do it, and we could make the bus purchase. I mean, you had your Chief Financial Advisor there, and Peter was there, and everybody agreed. I even told you, I think, that I can't even balance my own checkbook, so I am not going to question those numbers. But, I mean, it was just a gut reaction that we had based on reports that you could do it. It just seems to me, Mr. Chairman, that if we took the time to be there, and we have listened to you on several occasions, and we have tried to communicate--- As you say, you want communication. It just seems to me that it would have been appropriate for you to say, "Hey, guys, we are checking our numbers," because I don't believe it is appropriate for you to go 180 degrees out of phase in a \$120 million acquisition cost project in a month or less. Frankly, I tied it into the national elections myself, because I really felt it was there. But, that is beside the point.

I have become cynical about the whole thing, and I can't help that. It is a personal thing. I like you as a person very much. I have a problem, though, with the fact that we felt that we were jerked around for literally months and months and months. It may turn out that you are able to say in six months, "Aren't you glad we didn't give you the money because the Grumman buses were no good in the first place?"

CHAIRMAN SAGNER: I will say, Senator, that while I regret the whole political implications on both sides of this thing, I will refer to the statement that I made back in May when I said, notwithstanding the difficulty of our situation, it is our hope that we can continue to fund this essential mass transportation project. We never tried to duck the fact that---

SENATOR HERBERT: I know that. I think the way you put it, Commissioner, was, "the amber light is on." You wanted to point out ---

SENATOR GAGLIANO: But he didn't say, "The amber light is on. Give me another thirty days and I will get back to you." You didn't say that. It meant a lot to us, Mr. Chairman, because here we are, and people are asking us all kinds of questions. As you know, I must have five commuter groups in active operation in Monmouth County. They want to know how come there is no air conditioning on the buses, how come they are so old and so dirty, and so this and that, and fumes in the back and everything. When you go to them and say, "Gee, back in 1978 when I was first elected, the Port Authority came up with a brilliant idea to buy a thousand new buses," they say, "Where are they?" Then the bottom line is, "Well, since that time we have run into many delays, not the least of which is the Port Authority says they are not going to pay for them anymore." That is the bottom line that we got and that we have to describe to our constituents, which is an impossible thing to describe.

CHAIRMAN SAGNER: Well, this goes back to the isolation and insulation I was referring to. I can appreciate that.

SENATOR GAGLIANO: We needed insulation from the heat.

CHAIRMAN SAGNER: I didn't respond to your statement that there was any connection with that and the national election. It would take more than that to change the situation. I do want to say -- and if I am wrong, correct me -- that I don't believe that the purchase of the buses has been delayed one day nor has the price increased one dollar because of this, whatever you want to call it, happening, the delay, the change in our commitment and so forth. We never---

and I would challenge anyone in the State who would say that they were ever handicapped or the program was delayed because of our problem in clarifying our financial position.

SENATOR GAGLIANO: Well, I can't agree with that. I mean, it is like a particular Congressman who comes home and tells us, "There is plenty of Federal money available, but the State of New Jersey is incompetent to go get it." I mean, I hear those stories. I would like to see that Congressman down here telling us how we can help ourselves.

I feel that a much stronger approach by the Port Authority in May, June, July of 1978 would have brought about the bus purchases at that time.

CHAIRMAN SAGNER: That has to do with the people in Trenton---

SENATOR GAGLIANO: Again, you say the people in Trenton.

SENATOR HERBERT: Well, Mr. Sagner knows how Trenton operates, sometimes with all the speed of a three-legged turkey.

Mr. Sagner, I want to say that you are appearing here today voluntarily. We have always heard messages and writings that the Port Authority is arrogant. I think you and Mr. Goldmark have put yourself at our beck and call. We have come a long way since Austin Tobin told the United States Congress, go to hell, that he wasn't going to open the books of the Port Authority. I thank you for your statement that you understand where we are, because we are frustrated, I guess, as frustrated as you are in this whole thing. However, the Chant d'clair did crow and the sun has come up and we have our \$120 million. However, it came, thank goodness, and TRANSPAC is still alive.

Senator Graves.

SENATOR GRAVES: I will wait for Peter.

SENATOR GAGLIANO: I have one other comment, if I may. It is something that I think is philosophical and I just want to discuss it for a moment. You said, Mr. Chairman, that you do not collect taxes, and---

CHAIRMAN SAGNER: We do not have the power to tax.

SENATOR GAGLIANO: Yes. Philosophically, okay, every time I go over to Yankee Stadium and I drive over and I pay \$1.50, I consider that a tax. When the bus comes in from Bergen County or Monmouth County, and they pay a landing fee, or whatever they call it, a dock fee, that is a tax, in my opinion. It is a user tax, but it is a form of taxation because it is a collection of money from a governmental agency, and that is a form of tax. I know we can dispute this and discuss it philosophically forever, but it is the truth.

CHAIRMAN SAGNER: No, it is not the truth because---

SENATOR GAGLIANO: Yes---

CHAIRMAN SAGNER: We could define it. Let me correct you, Senator. A tax is something that is levied on the public without regard for whether they use something, and by various yardsticks. You can say that necktie you bought you were taxed for, instead of paying for it, because you paid the store that delivered the tax to you. What you pay on the tunnels and bridges is the fair cost of providing that network of services that we provide for you and everybody else who crosses over from New Jersey to New York based on our investment, our cost of operation and the historical return on our investment. It is not a tax; and more specifically when you are referred to the docking fee that the bus pays of \$1.20 when the actual cost of that is somewhere around \$9 or \$10, if you call that a tax, I think it is a distortion of the definition of the word "tax."

That we get our money from the public, yes. If there was somewhere else for us to get it, we would be open to any suggestion that you might have.

SENATOR GAGLIANO: As I said, this is a philosophical difference in attitude toward that money that is paid. But, I consider it a tax, and I consider it more of a direct tax than, for example, when you go over a large bridge that is part of the Federal interstate highway system and maybe there you go through without going through a toll booth, because that is paid for by the highway user tax, or by the Federal Government's budget in some other way. That is a different form of tax, but yours is a tax collection agency. Think about it. I am not going to change your mind; but when you make a public statement and you say that you do not collect taxes, I do not agree with it. That's all, and I would appreciate it if you would think about it.

CHAIRMAN SAGNER: I won't think about it.

SENATOR GAGLIANO: Okay, don't.

CHAIRMAN SAGNER: What I will do is I will send you the briefs that were prepared by Mr. Fowley and the decision of the Federal Courts that challenged our '75 toll increase, which, if it were a tax, we as a government agency would have a right to levy that tax without regard to cost or return on investment. When you passed the income tax and passed the sales tax or any other tax, you have the right to do this and the public doesn't have a right to challenge it. Our increase was subject to challenge and was upheld as a charge, a fair and reasonable charge for the network of services we provide. I will be very glad to supply you, Senator, with that information.

After having read it, if you wish to debate this issue, I will be very glad to do it.

SENATOR GAGLIANO: I would like to read it. As I say, it is philosophical, and it is just the way I look at it.

CHAIRMAN SAGNER: We will make it available to you. In the interest of time, Senator, I did want to answer some other points, but if you would rather, I will defer to Peter. These things do disturb me.

SENATOR HERBERT: We are on the record, Mr. Sagner.

CHAIRMAN SAGNER: Well, if this statement of yours goes into the record, I think it is imperative that I speak to it.

SENATOR HERBERT: It does, and you have every opportunity to respond.

CHAIRMAN SAGNER: Some of these statements should be answered just for the record. On page four, it was the Port Authority that initiated and fought for the industrial park legislation. We plead guilty; yes, we did. Was the financial picture different then?

No, the concept of the industrial parks is, and we have said this repeatedly, that they will not demonstrate what we are attempting to demonstrate if they have to be subsidized, as the bus program which is a non-revenue program. The industrial park program is intended to be self-supporting. Therefore, we can finance that by certifying that we will be able to pay back the borrowings, something that we cannot do, and I think we explained this to you in great detail at our previous hearings--- As I said, should we drop the industrial park development program? We have only passed the legislation authorizing us to do it a year or so ago, and we are very close to consummating our first agreement, hopefully, within the next six months. We never said it was going to be easy. We never said we were positive we could do it. But, we think it is an important enough

effort, and evidently you agree, that we should attempt it.

SENATOR HERBERT: The question that I specifically had was, can we allow you to drop that, and allow the EDA, Economic Development Authority, here in the state to hold on to that function. You have already addressed that. You feel that the Port Authority can do a better job.

CHAIRMAN SAGNER: Well, we have discussed this at great length with the EDA. We feel that we can do it as partners. With EDA and with private enterprise, it can be done. We don't feel we can do it alone. We believe that we can work with EDA in a different manner, because we have different skills than they do. They have the resources that we don't have. But we would work with EDA and with private enterprise.

SENATOR HERBERT: Before you go on, Senator Gagliano has something.

SENATOR GAGLIANO: Have you had an opportunity to discuss that with any of the Committees of the Legislature yet, your plans or proposals? I don't think I am up to date on it at all. They are industrial parks.

CHAIRMAN SAGNER: We were supposed to develop this in accordance with the legislation and we are following the procedure in that legislation.

SENATOR GAGLIANO: Which is that you have not discussed it yet with the Legislature.

CHAIRMAN SAGNER: That is correct. There is a Department---

MR. GOLDMARK: We file the minutes of every action that we take with the Department.

SENATOR GAGLIANO: Wasn't there specific oversight written into the legislation?

MR. GOLDMARK: It is filed with the leadership of the legislature.

CHAIRMAN SAGNER: It was the Port Authority that initiated and fought for the construction of the World Trade Center. That is not exactly correct - again, history. The concept of the World Trade Center was developed by the lower Manhattan Business Association who wanted to develop and maintain lower Manhattan. We are a regional agency. There was a problem in the fifties with financial and legal firms moving from downtown to central Manhattan which was giving a disproportionate development in one area and removing from viability another area. They look for an agency that could build a facility there that would restore some of the economic activity.

In negotiations with New Jersey, it was decided that the Port Authority was the agency to develop it and that it should not be developed on the East Side of New York as New York wanted to do it, but should be developed on the West Side in conjunction with the development of PATH, which was to New Jersey's benefit. Again, this was a program whose concept besides the economic benefits to the region I described is one that would be economically self-sufficient. It was a long time getting there. We don't believe, as we told you in our office, that it is quite there yet, although in this speculative real estate market there are a lot of people who would think that it is desirable, but it has served that purpose and it was built with funds that were projected would be able to be paid back out of the earnings of the project. Again, that is different than financing Route 81 or financing PATH, or financing buses.

Getting to Route 81, it said here that the Port Authority initiated and fought for the Route 81 interchange. Senator, that is not correct. This was a program advocated by the administration of the State of New Jersey. I

am not talking about Governor Byrne's Administration. It preceded his administration. The first plan was developed during Governor Driscoll's administration. At that time, the Port Authority agreed to its share and the Turnpike agreed to its share. The matter was held in abeyance and the people of Elizabeth suffered many years because of the traffic there. Travelers to the airport and the port were handicapped, and it was in my role as Commissioner of Transportation that the project was reacted to. It was not initiated by the Port Authority. This was a project that would benefit all the people living in that region. Fifty percent of the cost was contributed by the Port Authority. There was no income to the Port Authority. The Turnpike who contributed 25% will erect a toll booth there. Was that project necessary? We have to go back in history. According to all the traffic analyses that we did, the time and the fuel savings that would benefit that, do equal the economic cost of that project.

SENATOR HERBERT: So your answer is that the project was in fact necessary.

CHAIRMAN SAGNER: That was the projection and our studies indicate that as energy becomes more costly probably even more so, yes, sir.

The question of industrial parks, why the Port Authority should undertake such projects, I think we have covered that.

And the one last point that I would like to make is on the sale of the World Trade Center. You say that, independent of your recommendation, Governor Carey and Governor Byrne have endorsed such a sale. If they have, Senator, may I say respectfully I am not aware that they have.

What I believe the facts are that Governor Carey has appointed a Committee to explore the feasibility of the sale of the World Trade Center and in conjunction with that, if it is feasible how would you go about doing it? Governor Byrne's position is, if it is feasible to sell the World Trade Center, if it is advisable to sell the world trade center, he wants it to be known that New Jersey has something to say about it and he has been speaking out publicly on it.

SENATOR HERBERT: Thank you very much for coming, sir.

SENATOR GAGLIANO: The New York Times and your statement don't agree, by the way. I thought Governor Carey clearly said to you, maybe through the media, and maybe not directly by a letter or a telegram or even a call, but I thought it was very clear from The New York Times article, the Ledger articles and others that he favored the sale of the World Trade Center, and he wanted you to sell it.

CHAIRMAN SAGNER: Semantics. He said he would like it to be sold, and as the Chief Executive Officer of New York, he would like many things. It is a question of it being feasible and whether it makes sense to do it, whether he has the legal right to do it, and whether the Port Authority Commissioners will agree to it, and whether the legislatures of both states will agree to do it.

You are correct. Governor Carey has said he would like to see it sold.

SENATOR GAGLIANO: But you just testified that you didn't think he said that. I am just saying that I thought he said it.

CHAIRMAN SAGNER: No, you said that it would be sold.

SENATOR GAGLIANO: Okay, thank you very much.

SENATOR HERBERT: Thank you, sir. Peter Goldmark, Executive Director of the Port Authority. Welcome, Mr. Goldmark.

P E T E R G O L D M A R K, sworn: Thank you, Senator. I don't have a prepared statement. I will be glad to answer any questions.

I do want to share the Chairman's feeling that he expressed at the beginning, that the statement you read, Senator, doesn't reline for me. After six months or after two years, let's try and understand each other. The best thing to say maybe is we both have a long way to go. A number of statements do not reflect in some cases what happened, and in some cases what the Port Authority's actual performance has been. So, in that spirit, I would be glad to answer any questions you or Senator Graves may have.

SENATOR HERBERT: Yes, I have a few. Are there any plans of the Port Authority to aid transportation on a continuing basis, or is the amber light going to stay on?

MR. GOLDMARK: I think the amber light is going to be on for a while in the sense of what Senator Gagliano characterized as a 180-degree turn. For us, it was a small part of a capital program, and our projections are proof enough that we can take the next bite and the next bite was of terribly critical importance to you on the Committee, and your three Senators in particular, but the inflation squeeze that we described is still there.

I also think, which is exactly the view I expressed to the New York Legislative Committee some months ago, the most likely role to be found proper and doable by both yourselves and ourselves for the Port Authority in terms of future involvement in public transportation will probably be limited to discreet capital participations where the revenue base to support that is in place.

Contrast discreet capital participation with what I think you are getting at when you say ongoing aid. Ongoing aid means to me operating subsidies.

SENATOR HERBERT: You know, we have the reports on your Committees on the future, but just yourself personally, how do you see the whole area, say, by the year 2000? What is this region going to look like? For example, how many people will be in jobs? Are there any new kinds of industry that might be in here in twenty years? Can you look into a crystal ball and tell us what the region is going to look like?

MR. GOLDMARK: My crystal ball is no better than yours. But, I would like to answer that question by telling you what I think the choices are. I am going to give you an outline of the choices as we see them.

We see the principal choice to be whether we - and we here means the two states and ourselves and the other public agencies of this region together - take the actions to achieve and sustain a policy and course of investment in this region, or whether the rate of disinvestment which now occurs continues. Investment means to you or me, a financial investment. You put a bulk of money into a situation and you hope - whether you are a businessman or an individual investor - you will receive some return on that. And investment is also a calculation of confidence. It is a psychological attitude. It says, "Do I want my business, or if I am the head of a household, do I want my family to live in this region? Is the future something that will hold promise here and return dividends for my family and my business, for me as an individual?"

We are the region in the country - Northern New Jersey and Southern New York - that has had the most severe rate of disinvestment in the United States in the past decade. And we believe the choices you make as a Committee of this Legislature and the choices of the State, in which your Committee serves, and

the choices we make in the Port Authority and the choice that the other State we serve, New York, makes will determine whether we reverse that investment and have a pattern of positive investment. We are now losing wealth in our manufacturing sector and in our public infrastructure, which is highways, roads, sewers and bridges, faster than we are replacing them. Therefore, I believe if we make the wrong choices there will be a possibility of real continued deterioration in this region and that is the overwhelming, the dominant, the critical, the paramount choice, both for you and for us. That is why you see Alan and I beating our brains out. We don't always make the grade and you don't always make the grade, but we are beating our brains out establishing dialogue to meet and to talk, because we think the most important thing for this region is for the two states and the region to use its capital investing agencies - and we are one of those - to make sure that this pattern of disinvestment changes to one of investment. I believe that issue dwarfs all the other issues we will face together in the next ten or twelve years.

SENATOR HERBERT: Our report calls for the creation of the Hudson River Transportation Authority in effect diluting the Port Authority's responsibilities. Would you like to comment on that?

MR. GOLDMARK: I will comment very briefly. Chris, if you could put up the second chart, please.

I have said, Senator, that I consider the most important role to be to create a pattern of investment and growth in this region once more, and the thing I would most like to see and the Board would most like to see would be the Port Authority playing a positive role in that. What we did was we took the so-called network facilities, which is what we call PATH, tunnels, bridges and bus terminals, the things that were included in your Hudson grouping of agencies, and we attempted to show in '80, '81 and '82 how they made it financially. This was before interest on debt. It does have depreciation which you can equate to principals, but it is before interest on debt. Primarily served, because you have two major facilities which are going to become increasingly deficit in nature - PATH and the bus terminal - this collection of facilities, we believe is going to turn negative in the years immediately ahead, and therefore would not be able to stand by itself as an entity without subsidy from the two states.

SENATOR GAGLIANO: If that is the case, and again what you are explaining to us is that the entire Port Authority would be in jeopardy, because where would you make up those kinds of losses if the tunnels and bridges are now generating \$63 million and in two years they are only going to generate \$48 million and the increases in PATH are going to be so substantial that your whole operation is in jeopardy; is that what you are telling us?

MR. GOLDMARK: In jeopardy is a strong word, but that is exactly what I am telling you when I say the inflation squeeze is still with us. Despite the fact that the light goes from amber to green for the next installment of the buses, the fundamental trends we talked about are still there. Now, in 1980 and 1981 and the years ahead, the brutal fact of life, Senator Gagliano, is what you see missing here is being made up by the airports. But, when you ask will the total reflect that squeeze over time, yes, sir, I believe it will. We were not structured and built to thrive in a period of ten or twelve percent inflation and we have to change the way we are put together in order to do that. That is exactly what I am saying.

SENATOR HERBERT: Well, once again we are at loggerheads on figures. You, I think, have built in depreciation to your figures, and we disagreed with them.

MR. GOLDMARK: What figure did you carry?

SENATOR HERBERT: We had \$34,408,000 in depreciation and you have \$38 million. Then we had deficits at the George Washington Bridge station of over \$1 million. At Journal Square Transportation Center we had \$1,350,000, approximately. And, at the bus terminal we had \$3,370,000. I didn't total them up, but the revenues from the George Washington Bridge and the Lincoln and Holland Tunnels, the Bayonne Bridge, the Outerbridge Crossing, and the Gothels Bridge, in the long run, went to - these figures are for '79 - \$26.5 million, plus

MR. GOLDMARK: I don't have your sheet in front of me, Senator. Your \$26 million--

SENATOR HERBERT: It doesn't have the deficit. It doesn't have the depreciation built in.

MR. GOLDMARK: It has no debt service or interest; that's fundamental, sir. It's associated with these facilities.

SENATOR HERBERT: Yes. Well, your figures are ascending almost geometrically, it seems -- a \$9 million-plus in 1980, and then the deficit starts, which means the proposed Hudson River Transportation Authority would be running in the red almost from the start.

MR. GOLDMARK: Yes, sir, that why I was not particularly enamored with the idea.

SENATOR HERBERT: I wouldn't expect that you would be. That amount is the present bridge and tunnel fares, tolls, with the present 30¢ fare on PAT and everything?

MR. GOLDMARK: Yes, sir, and the present bus terminal.

SENATOR HERBERT: Right. Okay. I have no further questions. Senator Gagliano do you have any questions?

SENATOR GAGLIANO: What you are saying, Peter, is that what I thought was the hard core income generators of the Port Authority, tunnels, bridges, and terminals to a certain extent - at least they used to be - are not going to carry the weight, and you are going to be relying upon the airports for the big income?

MR. GOLDMARK: We can't rely on the airports indefinitely in the future. The brutal fact today is the shortage you see is being made up because the airports are also a winner.

If I can go back to something Senator Herbert said, the change in these figures over time is coming not primarily in the debt service column, it is coming primarily from the PATH deficit increases, the tunnels' and bridges' profit decreases.

SENATOR GAGLIANO: That's practically all I can see from here. I wasn't even looking at depreciation. I don't even think depreciation is an item of that much importance in a public agency.

MR. GOLDMARK: Right.

SENATOR GAGLIANO: I am looking at operating revenues.

MR. GOLDMARK: So, it is the operating squeeze and what we told you in the winter, the spring, and will tell you now and next winter and spring, that is, that inflation squeeze, that operating squeeze, is affecting the overall

viability of the Port Authority, and that conclusion is exactly correct.

SENATOR HERBERT: Are there any further questions? Senator Graves.

SENATOR GRAVES: I will tell you, Peter, neither one of you need an advancement, or any public relations; you do a pretty good job yourself in telling how great you have done the job there. But, I am concerned about the effect of telling something to a person and then having that person want to believe it, based upon the rationale of figures that were projected and amplified, and then see a completely different posture within six weeks. This has to concern me, as a public official, as it would concern every other public official.

Lately, I am not overly enthralled with the fact that Commissioners have to serve for nothing. I come from structures of government where most Commissioners serve for nothing. I come from structures of government where people that I know declined \$10,000 in salary and give one-fifth of it back besides to government. So, these things are not just peculiar to one facet of government and not to others.

But, I am concerned that on or about September 8th, or thereabouts, we did meet and we had figures projected to us by you, but I am going to put that aside for a moment. Your exact title is what?

MR. GOLDMARK: Executive Director.

SENATOR GRAVES: Are you the responsible person for the running of the Port Authority on a day-to-day basis. Do Commissioners have the right to run the Authority, or are you the responsible person in between meetings?

MR. GOLDMARK: I am the responsible person. I have never thought of it as in between meetings. I normally describe myself as the hired hand who runs the day-to-day operation. The Board provides the policy and the oversight.

SENATOR GRAVES: And, they meet how often?

MR. GOLDMARK: Twice a month. There are occasional special meetings.

SENATOR GRAVES: They determine policy and it is your structure of professional engagement that executes that or responds by saying that it cannot be done and this is the reason, or it tries to do it? That is your posture?

MR. GOLDMARK: That's correct.

SENATOR GRAVES: With this you have how many employees?

MR. GOLDMARK: The Port Authority has just under 8,000 employees.

MR. GOLDMARK: And, you are the direct manager of all of these employees?

MR. GOLDMARK: Yes, sir.

SENATOR GRAVES: You have subordinates who field off into various categories, and then in turn respond to you.

MR. GOLDMARK: Yes.

SENATOR GRAVES: Then we met with the responsible persons of professional ability when we met with you at the Port Authority?

MR. GOLDMARK: That's correct.

SENATOR GRAVES: You would be the logical person, along with supportive staff of finances, that we met with?

MR. GOLDMARK: Logical to what?

SENATOR GRAVES: Logical to be responsive to give a Senate inquiry committee respectable answers and responsive answers.

MR. GOLDMARK: Certainly.

SENATOR GRAVES: You would be the person?

MR. GOLDMARK: Yes.

SENATOR GRAVES: We couldn't have gone to anyone higher, or above you that is on the professional team and that is with the Port Authority?

MR. GOLDMARK: That's correct.

SENATOR GRAVES: It has been established for the record that you are the person responsible for running the Port Authority on a day-to-day basis, with your subordinates?

MR. GOLDMARK: Yes.

SENATOR GRAVES: That's for the record. In meeting with you, you portrayed to me, a Senator who is representing the State of New Jersey, specifically, on a resolution of the New Jersey State Senate - I was chosen by unanimous vote of that Senate to be one of three that was to meet with you and report back - that there was no way within the rights of making a decision that the Port Authority buildings - the Twin Towers, or whatever the terminology is used for them - could be sold at this time. Did you not portray that to me?

MR. GOLDMARK: No, I don't think I said anything like that.

SENATOR GRAVES: All right. Then would you, for the record, say what took place at that meeting when I asked that question?

MR. GOLDMARK: I don't recall exactly what took place at that meeting. I will tell you what I have said on that issue since it first arose over two years ago.

SENATOR GRAVES: No, I'm not-- (Mr. Goldmark continues to speak) Pardon me, for the record, I am asking the questions. I would like a response to the questions I am asking.

MR. GOLDMARK: What is it?

SENATOR GRAVES: I wasn't there two years ago. I was there in September, and I made inquiries at that time: why do we own these buildings? Why don't we sell these buildings? Your response was all the reasons why we couldn't, particularly at this time. Maybe five years down the road that might be a proper posture, when certain things get into proper perspective of how you feel they should be run, or more income is coming in by contracts or by leases. But, your response does not portray, upon questioning by me at that particular meeting, that is was not the right time to sell the Twin Towers.

MR. GOLDMARK: We may have had a conversation about the World Trade Center. Very frankly, I don't even recall the talk about the New York Trade Center at that meeting.

SENATOR GRAVES: Okay.

MR. GOLDMARK: I recall a meeting about the trust program. I really don't recall. You may recall that out of a 50 minute or hour meeting, I was in on the beginning five minutes and the last five minutes.

SENATOR GRAVES: Yes, you had to leave the room for a while. And then Mr. Sagner had some kind of a commitment and that had to end the meeting.

MR. GOLDMARK: I do not recall if we talked about the sale of the World Trade Center.

SENATOR GAGLIANO: I brought it up. I don't remember if you were in the room, but I brought it up.

SENATOR GRAVES: I frankly don't remember. If you weren't in the room, fine, but what I am directing you to do, as a Senator on this Committee, is to get the answers for us.

MR. GOLDMARK: I was attempting to answer it, Senator, and then you took me back to September 8th, so I gave a specific answer. I was attempting to be responsive by telling you what I have said about the possible sale of the World Trade Center.

SENATOR HERBERT: To be perfectly fair, I think the Senator asked a fair question and you were trying to answer it fairly, as you have always answered the questions. It was the way, I think, that you started answering, but please proceed.

MR. GOLDMARK: My position, and my recommendation to the Board of Commissioners, for whom I work, has been that this is a question we must pursue to its logical conclusion. By that I mean this: I don't think it is clear whether it would be a benefit to the City of New York, which has a real estate tax question at stake, or whether it is clear that it would be a benefit to the two states, or whether it is possible or be of benefit to the Port Authority for those buildings to be sold without going through the process of dealing with the four or five parties that have expressed interest in buying it. Others have said they are interested in getting to the point of making actual offers so that they can be evaluated. So, in one sense, I don't think this is a question that can be answered in the abstract.

It is my personal opinion, and I have expressed it several times, that there are several factors that make me think it is unlikely that all of those tests - benefits for the two states, higher real estate taxes for the City of New York, and the Port Authority being made whole - can be met by a private buyer at this point. That is a personal opinion, and I regard that really in the nature of a guess.

I have stated that I believe - and this is my recommendation to my own Board - that this cannot be answered in the abstract. The only way to answer it is to pursue it to its logical completion, which means we deal with the four or five people who are looking at it, give them all the information they need, and create a framework in which they can finally come in one day and say, "We think we would like to offer 'x' on 'y' terms, and then all of us together - all of us means the two states and ourselves - can say, "That makes sense; that doesn't make sense", or whatever.

SENATOR GRAVES: Well, those in responsible positions would be foolish not to respect what you have the insight to know and be part of. I happen to be in that particular posture. I happen to respect what you bring forth in a projection of why it should or why it should not be.

It seems that within four weeks of our meeting here, Governor Carey called you on this particular subject, is that correct?

MR. GOLDMARK: There were a couple of press stories in which Governor Carey stated that he was dissatisfied with the pace at which the Port Authority was moving towards the sale of the World Trade Center, is that what you are referring to?

SENATOR GRAVES: I didn't know. At that meeting we had no reason

to believe at that time that there was any intention or desire by anybody to sell it. I never left that meeting with that impression. I left that meeting with the impression of an exact opposite nature. At that time I never knew.

MR. GOLDMARK: Obviously, I am not going to speak about what impression you left the meeting with. After it was discussed at that meeting, I would wish to convey to you that we were exploring it in a way that we thought was responsible and logical.

SENATOR GRAVES: My impression, and I know you can't be responsible for that, is that upon leaving that meeting there was no possibility within the foreseeable future, because of all the things you added to it, that it was for sale, nor to believe that either of the two governors were in any particular posture at that point of wanting it sold even.

MR. GOLDMARK: I assume that doesn't require a response.

SENATOR GRAVES: Only to the point that you knew otherwise. If you knew as a fact that Governor Carey had in fact made overtures to you to report to your commissioners that he wanted the buildings sold, then nobody would be knowledgeable other than you. Nobody in this room would be knowledgeable, to the best of my knowledge.

MR. GOLDMARK: I certainly had known over a series of several preceeding months -- two, three, or four - that the Governor had expressed a strong interest in seeing the World Trade Center sold if it could be done, that is correct.

SENATOR GRAVES: Then what I can't understand is why wasn't that portrayed or amplified to us, that we weren't alone in saying that you should get out of that business, that it should be put up for sale as soon as possible.

MR. GOLDMARK: I don't know that it was or wasn't amplified to you. I can't solve your mystery. It is certainly a fact that I have made no secret of, nor has Governor Carey made a secret of it.

SENATOR HERBERT: Could I just follow up on that, Senator?

SENATOR GRAVES: Certainly.

SENATOR HERBERT: In other words, if you get an "offer that you cannot refuse", you would proceed with the sale, if you felt it was to the benefit of both states and to the Port Authority?

MR. GOLDMARK: I tried to phrase it in terms of the process.

SENATOR HERBERT: Yes, I realize that.

MR. GOLDMARK: I would rather phrase it this way: I believe we must explore to its logical conclusion what I described as the making of offers. At that time, it is up to us, the Port Authority - that judgment will be made by the Board - and it is up to the two states and the two Governors - the two states and the two Governors - to make their judgement of whether these offers meet all the public policy and financial tests necessary to make the sale wise. That is something we will all have to decide together at that time.

The reason I am being so precise is, if we got an offer we couldn't refuse, we will not be deciding this issue alone.

SENATOR HERBERT: True enough, but I am still a little uneasy about your answer. It seems to me that you are not enthusiastic about the prospect of selling the World Trade Center, is that correct?

MR. GOLDMARK: I am not enthusiastic and I am not unenthusiastic. I think so much abstract generalization has been written about this, and I have seen the effect of all of this from some of the private people, that the only way to find out is to bring them along and have them make an offer.

SENATOR HERBERT: It might be unfair to you in the way I am asking questions. They are all hypothetical questions.

MR. GOLDMARK: That's right.

SENATOR HERBERT: Senator Gagliano.

SENATOR GAGLIANO: I just want to make one comment, Frank. This business of having someone, for example Prudential Insurance Company of America, make an offer, to me, is exactly the wrong way to sell these buildings, if you were really interested. It seems to me that you would prepare the appropriate specifications; you would say exactly what they were buying; you would attach copies of all the leases and the expiration dates and what they entail, and you would then advertise, maybe even on a worldwide basis, for anybody who wants to buy these public buildings.

The point is, I have been in municipal law I guess all of my career, and you really have to invite the offers, and you have to have specifications. I don't know if you have gotten that far. If you have, that's fine. But, if you don't have specifications, then how do people know what they are bidding on? They are not going to buy PATH's station, I would presume. There are certain things that would not be sold, like streets and things like that, which are all a part of the complex.

MR. GOLDMARK: I told you in the beginning of the discussion on this subject, Senator, that we were pursuing it seriously. Many of the things you have mentioned have been done. Some of those have not yet been done, but I imagine they will be before long. One interesting test I might suggest to you to find out if we are doing this would be for you to call up Prudential and say: "Are they being serious and talkative enough? Many of the things you have mentioned we have done; many of the others we probably will do.

I agree with your description, generally, of how we have to move this to a conclusion.

SENATOR GAGLIANO: If you had access equipment -- for example, your PATH rolling stock wears out and you decide to sell it -- you would prepare the specifications and you would go to a public sale, generally, and then those who would bid respond. Why, for example, should Pru or the Doicher Bank, or anybody else, write you a letter and say: "I hereby offer 'x' millions of dollars for the World Trade Center? That immediately puts their cards on the table with no knowledge of whether or not you are going to respond. There is a possibility that their offer could become public information and maybe put them in a bad position from the standpoint of other competitive bidders. If you can see what I am saying--

MR. GOLDMARK: I can see what you are saying.

SENATOR GAGLIANO: In a public body it is an invitation to the bidder to come in upon your specifications of what is being sold, and I don't see that. That is what I am saying.

MR. GOLDMARK: I can see what you are saying, Senator, and the process you describe is not the process that I think we will be involved with. I think it will much more closely resemble the process by which the Pan Am

Building was sold. You may or may not know that we retained, shortly after Labor Day, the firm that assisted and represented Pan Am in the sale of its building. We hired them to advise and assist us in exploring the possibility of the sale of the World Trade Center. That was a process - I am referring to the Pan Am model - as you know, Senator, that did not have a public bidding situation.

It is a difficult balance in that we do not feel that we can, however, deal with parties who are not publicly identified, and we have so far refused to qualify as potential bidders any party who is unwilling to make all the principals in their group of consortium known.

SENATOR GAGLIANO: I didn't say--

MR. GOLDMARK: I am trying to show you where we have drawn the line so far between the public test and preserving the confidentiality of a potential purchaser, analysis, and potential offer.

Let me stress that so far no one has made a concrete offer, and it is very probable that we will have to develop a framework and procedure within which those offers can be made.

SENATOR HERBERT: You are not presently using pre-qualifying bids?

MR. GOLDMARK: Yes, sir, we are.

SENATOR HERBERT: You are? Okay. So, that is where we are right now in the process.

MR. GOLDMARK: And, many of these bidders, I must underline to you, Senator, are well advanced in the process of acquiring the information they will need to make an intelligent response.

SENATOR HERBERT: You won't surprise us with an announcement within the next couple of months?

MR. GOLDMARK: No, I don't believe we will.

SENATOR HERBERT: Assemblyman Markert has a question.

ASSEMBLYMAN MARKERT: Thank you, Senator. Mr. Goldmark, in the meeting of the hearing that took place in this room a while back, the discussion of the sale of the World Trade Center came up, and at that point in time it was stated, I believe, that the position of profit-making for the World Trade Center was such that it would certainly not be advisable even to consider selling it because there would be no one that might even consider buying it under that type of a condition. Has that position changed as far as whether or not the Trade Center is now at a break-even point, or where it now looks like it is going to be able to turn over a profit? I understand earlier that that Commissioner Sagner addressed the fact that the lease, and so forth, is being turned over and that it looked like it was in a better position than it was originally.

MR. GOLDMARK: The experience of this year, particularly, rental rates that were achieved in leases undertaken over the summer clearly shows that the World Trade Center is going to return more than we or anyone else thought in 1980, 1981, and 1982. Our estimates of those returns have accordingly been increased.

What we said earlier is when you look at the World Trade Center and see an amount of depreciation and debt service, it is still not turning a profit. What the fact of these more favorable projections means is that it will cross into the black sooner. I don't have it at my fingertips, but

let me take a guess as to when sooner is -- I certainly expect that it will happen in the early '80's.

ASSEMBLYMAN MARKERT: So then, in a few years. You are saying that it will probably within the next couple of years, since we are into the early '80's.

MR. GOLDMARK: Yes, sir. That would be my hope.

ASSEMBLYMAN MARKERT: Thank you. Including debt service, it would turn into the black?

MR. GOLDMARK: Yes, sir.

SENATOR HERBERT: All right, we did interrupt a series of questions by Senator Graves. He has the floor.

SENATOR GRAVES: What percentage of the World Trade Center now has been leased out?

MR. GOLDMARK: Essentially all, Senator. There is a floor here or a nook and cranny there, but I believe you could call it 98% to 99%. Let me stress the word lease. Some of the people with whom we have lease agreements have not yet moved in. But, essentially 98% to 99% is leased out.

SENATOR GRAVES: The World Trade Center has probably been there long enough and it has been opened long enough now to be in the position of renewal of leases, is that a fact?

MR. GOLDMARK: Yes, sir, some of the leases are coming up for renewal.

SENATOR GRAVES: Has it been a pattern that those that were there have stayed, or have they moved out?

MR. GOLDMARK: By and large, tenants have been willing to renew. There is a category of tenant involved in the commerce of the Port, some of whom find the increases we are asking too stiff, and I can describe that category to you as freight forwarders, custom brokers, small insurance companies. One of the rationales was to pull together all of these businesses within the Port. Many of these firms, frankly Senator, cannot take the jump that the new real estate market entails.

Now, in some cases we are making them favorable lease arrangements, below market, because one of the clauses in our legislation says it is the purpose of the World Trade Center to house and bring these people together. I would stress to you that these small firms all together represent a very, very small percentage of our total leases and are not affecting the bottom line in any great way.

The answer to your question is that there are many renewals by larger firms, such as an investment banking firm, or some of the foreign banks that are by and large able to meet the jumps that the market dictates. There is this small category that can't, and for many of them we are raising them more slowly, but we still are raising them.

SENATOR GRAVES: You are familiar with the so-called laundry list that the Governor of the State of New Jersey set for what he would have to have for this State.

MR. GOLDMARK: I have read it in the newspapers, but I have not discussed it with him.

SENATOR GRAVES: One of the highlights was that the State of New York seems to enjoy a special ratio of rent, and what have you, within this system. How long to go has that system got?

MR. GOLDMARK: That's going to be a complicated answer. The State of New York reached an agreement with the Port Authority, at the time the World Trade Center was conceived, that they would take -- it is about two million square feet, and I forget how many floors -- a big hunk of space, in Tower Two, and they would make a long-term commitment to stay there, and that would help to assure some revenue.

MR. GOLDMARK: (Cont.) Like other government agencies that have taken space in the World Trade Center--I have particularly in mind the U.S. Customs Agency--they took it on what I would describe to you as a condominium basis. That is, their payments over time will gradually acquire for them the right to own, as opposed to rent, the space where they are. In their particular case, the agreement was that after forty years, they would no longer have to make capital payments, just the operating and maintenance and cleaning, light and electricity. This was achieved by a series of rolling five year leases. Most of those leases have now expired and legally, therefore, New York State is, in most respects, a tenant at will. Practically, that is not a fair description because, practically, it was their presence that helped create the two towers, the World Trade Center, in the first place and they now emerge as the key conceptual and financial pivot issue in terms of whether and on what terms the World Trade Center might be sold because it is a gigantic hunk of space whose income is now well below what the market could generate. So, what happens to that is critical in the eyes of all the parties looking at it.

SENATOR GRAVES: Agreeing that that would be our interpretation from a lay point of view of what is going on, yet, it was explained to us by Mr. Sanger on five separate occasions that no action of the Port Authority becomes a fact unless it is concurred in because both governors have total veto, by vetoing the minutes, and can stop any of these actions that you have just outlined here. So, therefore, this could not have taken place without whoever the then governor of the State of New Jersey was at that time.

MR. GOLDMARK: I don't know what this is. Do you mean the New York State occupation of the Trade Center?

SENATOR GRAVES: Yes, that is correct, but predicting that New Jersey is now caused to have dissatisfaction is now ratified by the Governor of the State of New Jersey.

MR. GOLDMARK: It was approved by both governors in the early 60's when the World Trade Center was put together. It was more than approved, Senator. It was a fundamental part of the initial PATH-World Trade Center package. There would not have been, as I understand it--I was not there then--two towers of that size.

SENATOR GRAVES: But, you have to understand that we are elected and we have an official responsibility. The explanation today was that whatever is had to be ratified by not vetoing the minutes.

MR. GOLDMARK: Correct.

SENATOR GRAVES: So, the problem that we now live with today was, in fact, caused by the Governor of the State of New Jersey.

MR. GOLDMARK: No, I think that's unfair. It was part of an overall understanding reached by two states and four legislatures. The legislation says that New York State shall be in there. That's as much a part of the World Trade Center than PATH.

SENATOR GRAVES: Do the legislators have a right to ratify or disapprove of the minutes?

MR. GOLDMARK: Not of our minutes, but the legislation would be under their jurisdiction.

SENATOR GRAVES: Do the two governors of the two states have the right to ratify or disapprove of the minutes?

MR. GOLDMARK: Yes, sir.

SENATOR GRAVES: Well, then, how can you correct what I just said? On what logical grounds or legal grounds are you correcting me?

MR. GOLDMARK: As I recall your words--we can have them read back--you said that the cause of the predicament that we're now in is the Governor of the State of New Jersey and that is just not correct, I don't think.

SENATOR GRAVES: It had to be approved by the then Governor, whoever it might have been, of the State of New Jersey.

MR. GOLDMARK: It had to be approved and it was approved by four houses or two legislatures also. It was the fundamental foundation of the whole project; PATH, World Trade Center, New York State, Customs, it was all there.

SENATOR GRAVES: We'll take the transcripts later and we'll move from there. I would like to move to the second position and you will have to remind me if you were present for this part of the meeting or whether you were called out for some very important business. I'm not belittling that. I was there and I know you were called out for something, whoever it might have been, and you had to leave for that particular cause. Somebody was there from some country or something that you had to meet with, that was important, that was going to spend money within our jurisdiction, and that's what you are there for. So, I'm not trying to belittle that. You did the right thing. But, of course, we had to continue with the meeting. So, I cannot remember all the time whether you were in the room or not in the room. Anyhow, I was made an adversary of my two fellow senators there because it sounded like I was part of the Port Authority structure rather than being part of the State Senate structure. But, that wasn't so. I was part of what was being presented to me. I was being given figures and facts and testimony at that meeting, and a recital at that meeting, which, if I'm going to believe on face value, would have induced me to believe that the Port Authority was representing things there that we, as senators, were saying that we wanted you to do, but yet, logically, how could I pursue it any further because you were given by your logic and your statistics that it couldn't be done. I remember you even making comments to me after that meeting that you felt that I had had an understanding of what your problem was.

MR. GOLDMARK: I recall that.

SENATOR GRAVES: Now, we move back to the role because no conclusions were made at that meeting. We only were to make a report, which, incidentally, we all indentified ourselves in and we said that this was a report of Herbert and Graves and Gagliano. It was a report from all of us. But, the part that troubles me the most, more than the World Trade Center, after we had asked you to sell it, we read, four weeks later, about someone else that is now going into the position. We didn't amplify it. We didn't run to the press and we didn't say, "This is what the meeting was about." We didn't try to give the impression that we were going to be the savior of what the problems of the Port Authority were. But, you, as the Executive Director and the responsible person for this, did portray at that meeting that the fiscal responsibilities of your Authority would, in no way, shape, fashion or form, permit the expenditures of what was a commitment in fact or a commitment of understanding of \$120 million. You said it was impossible. Do you recall that when you parted the meeting?

MR. GOLDMARK: My best judgement, at that time, and I am sure that I stated it to you emphatically and firmly, was that we could not then take the next step in the bus program, which was to permit the remaining \$130 million. That is my best judgement.

SENATOR GRAVES: From that time, we never had any more conversations or communications until I made a telephone call to you and you returned that telephone call to me. Other than that, there was no other communication?

MR. GOLDMAOK: That's correct.

SENATOR GRAVES: And, at that time, I wondered out loud to you how your financial statisticians could have portrayed such a picture which was based upon what our Governor had announced two days prior to my talking to you because the first day I tried to get in touch with you, we missed each other, but the second day, we did get in touch with each other on a verbal basis. How could this possibly be, when you portrayed to the three of us--and I say you in this particular case, and I'm not being so kind to say that you weren't in the room or--

MR. GOLDMARK: Senator, I take responsibility for that judgement because I believed it and I made that case, in short or long, however long it was in the room, on that day.

SENATOR GRAVES: Well, then, how can any duly elected representative of the State of New Jersey have any faith and credence in what is portrayed as a fiscal background from the Port Authority over which, I admit, our jurisdiction is limited and yet our responsibilities and responsiveness to our constituents who are 50% users of the toll roads that you have portrayed, even though some of us believe that New Jersey is a greater user, but you have given us figures to prove that it is about a 50/50 basis or maybe 51/49, but certainly not what we thought when we traveled to you? How can we logically interpret for any fact-finding response back to the full Senate, when there is a complete change in what was insisted to us, based upon facts and not just verbal portrayals? What possibly can change? Now, I heard what Mr. Sanger said and I'm not trying to curry his favor. I'm not interested in it, but I want to be factual. I have a deep respect for him in both his role there and his role in the political world. He's earned it because he's built that type of a reputation. I say that because I need to curry no favor from him whatsoever, nor do I ask any of him, nor will I ever seek any. But, I am vitally concerned that you, as the master of this ship, so to speak, did give us facts and figures that were completely turned around with an announcement of the Governor of the State of New Jersey seven weeks later or whatever it might be that was diametrically in opposition to what you had portrayed to us. That concerns me. That has concerned me so much that I called you on it and spoke to you briefly on it and have never been able to get out of my mind how an Authority with the responsibilities and responsiveness that you have in mass transit, in industrial tracks in our cities and maybe even the city that I'm from and have been mayor of; I'm concerned about when we can believe. When does government respond to another area of government so we can believe what that area of government is talking about and saying and have the credibility and credence that what they say is, in fact, as far as what is on the table, the Bible? Now, that has concerned me like no other area of government that I've ever come in contact with as mayor of a city, the third largest city in the State, or as Director of the Board of Freeholders in the County of Passaic or in my role as Senator of this State. I'm concerned. Can you put me into a proper position?

MR. GOLDMARK: Let me do my best to answer this, Senator. I sense, by the tone in your voice and the way in which you say that, that your concern is real and that you really want to understand what happened.

SENATOR GRAVES: Not today, Peter, because 48 hours after, I'm talking exactly the same today as I did in our brief conversation.

MR. GOLDMARK: Yes, you are and I recognized the concern in that phone call.

SENATOR GRAVES: And, I called Senator Gagliano to apologize to him for being an adversary of his at that meeting.

MR. GOLDMARK: Well, I don't think you owed him an apology, but let me set that aside. To understand what happened, I'm going to ask you to consider two things. First of all, let me look you full square and tell you what the Chairman told you. Both he and I will call the shots as we see them. You have not had as long an association with me as you have had with him. I pledge to you my word and my honor that I call the shots as I see them on this issue and on September 8, that was my best judgement. Now, I ask you to consider two things as you think about this and I do not expect that at the end of my answer you're going to rise up out of your chair and say, "That's terrific, now I understand." What I earnestly request is that these are things that you think about and if you want to talk more about them in this kind of forum or any other, you should pursue them. We are concerned, I am concerned, the whole Port Authority is concerned when you can ask a question like that.

The first issue to consider is, what changed? What changed is that we projected all of our revenues, again, anew, over again, out as far as we can usually do, which is five to ten years. When you are in the business of going for thirty-five year bonds, you must be sure that what you are borrowing on is recurring revenue. It must be there every year. Three principle factors--and I will be glad to make a list available to you later, if you want and there is a longer list of small factors--but, three principle factors improved on a recurring basis. The first one was our financial income; the Chairman has mentioned that. On a recurring basis, it has improved. My recollection is that it was to the tune of \$3 million or so a year. The second was increased rents in the World Trade Center and that improved, my recollection is, something on the order of \$7 million a year. I again emphasize the recurring part of this. That means every year. The third major item was an agreement that we reached with the major airlines on the lease terms at LaGuardia Airport, which we reached, in principle, at the end of that summer and have still not, to this date, executed legally. That, in proof, makes the return on LaGuardia Airport much more sensitive to inflation than the previous lease and improves our income by an amount, roughly, equal to \$3 or \$4 million. The numbers I have given you there add up to something like \$13 or \$14 million. The projection that we did showed that we had an improvement in our annual recurring income of \$15 million or better. None of those were factors that we foresaw in April or in May. None of them were factors that we fully had information on or had analyzed when we met with you. I would recall, from you and other members of the Committee, particularly Senator Gagliano spent frantic, intense days and nights on this in the second half of August through the Labor Day weekend, which was the PATH strike. We did not turn our attention to the increased revenue we were seeing in our budget in 1980 until after Labor Day and, in fact, after that meeting with you, which, I believe, if my memory serves me correct, was a few days after Labor Day. We did not even do it right after that meeting with you. This analysis was not undertaken until the first couple of weeks of October. I remember explaining on the phone that the change was not \$150 million--this is borrowed money--it was \$50 million. If we think it is there and it's hard, really hard and really recurring, we'll support a borrowing of about \$15 million.

There were a number of smaller items, but my purpose is not to go into those here. I have mentioned to you three big ones so that, whether you approve or disapprove of them, you understand the character of the items that changed.

The second thing I ask you to consider does not have to do with money. The second thing I ask you to consider is the difference in what this change was. You talked about how can it go from no buses to yes buses within 49 days. Senator Gagliano used the phrase earlier, "a 180 degree turn." Let me put that aside. Let me tell you what that decision was for us and this is why, in the beginning, I mentioned how far we have to go in understanding what it looks like to the other side, although I think do understand why it looked like 180 degrees to you. We have an ongoing capital program. This amount that we deferred was part of a \$700 million capital program. We are borrowing and investing in capital every day. It was part of \$700 million of non-revenue projects, which we described to you as critical. We had committed, when we deferred these projects to 400 or 500 million of them. We knew we had to have the rest of Route 81 and some PATH safety. The Chairman said that the amber light was on. From the figures and projections before us, it looked like we could not get through the next bite, which, because of the priorities the State has set, is buses, not something else. We could have said it was something else, the new PATH carpools, the other things we deferred. It looked like we could not get through the next bite and borrow for all of those buses without a substantial revenue increase. The turn was not 180 degrees for us. That was 15 million for us, out of all our income, all our net income. We have to deduct expenses before we get to the amount that we borrow off of. For us, that was 5 or 10 degrees on the compass. You were focusing solely on what you saw as a commitment to New Jersey, and which you characterized, at that time, as a reneging on it or a holding hostage of it. For you, it was 180 degrees. For us, as soon and when our revenues--and thank God it was an improvement, not 15 million dollars down or we would be having a really different kind of hearing today. Today you would be hearing about what additional projects we have deferred or cut back on. As soon as that projection and analysis was done--it is complicated and it is long and it is subject to human fallibility, but it is my judgement and it is my job in the Port Authority, Senator Graves to make those recommendations to the board and stand by them, which I do. As soon as it was, the first bite we said we should do next was the buses. I use the word "bite" in a series of steps. For you, it was 180 degrees, at that time. For you, it was--

SENATOR GRAVES: 49 days.

MR. GOLDMARK: Buses, yes; buses, no, within that 49 day period. Now, those are the two things that I ask you to consider in attempting to understand, not necessarily agree with at this time; the process we went through and the perspective from which we reached those decisions.

SENATOR GRAVES: Okay. Then we went back and we met with Jerry Primo; we met with Amy Rosen, representing Commissioner Gambaccini. Senator Gagliano was struggling at that time to have a resolution released, which would not have been favorable to you. I held hostage that release because I felt that, as Senator Herbert had said and amplified on so many occasions, and I agreed, that under no circumstances should we let you buy Transport of New Jersey. That wasn't what it was all about. I said that within two weeks, I was going to release my vote and Jerry Primo and Amy Rosen had two weeks to go to Washington to get the money. Lo and behold, more

fantasy worlds, they found the money on the federal level and we were relieved of that responsibility. So, we didn't have the Port Authority buying buildings within our municipalities and putting them into a structure of not being able to pay taxes. That was a concern to us because we didn't want to erode the tax bases of many of our municipalities. I'm sure you are aware of that.

MR. GOLDMARK: You stated that concern at our hearings in April.

SENATOR GRAVES: Right, and that was one of the reasons that I again brought it up at any meeting that we've had and also when we had the big meeting that Gambaccini called us all to, at which time he told us about the purchase price and we told him that we didn't want to hear about it.

MR. GOLDMARK: I could suggest as an aside, Senator, that almost as an example of the Port Authority being responsive to the two states, the State came and said, "We want you to buy TNJ." We said, "Let us look and see if it is in the bus legislation." We said okay to the state.

SENATOR GRAVES: But, you said okay to that part of the State. We, as legislators--

MR. GOLDMARK: Let me finish my story. Then, the other part of the State, the Legislative branch said, "Whoa, we think this is the worst idea to come down the pike in a long time." The State, Legislative and Executive, went through the process you described, a little friction, a little tug-of-war, and the State came up and said, "We're going to try and do it with federal funds." We said, okay.

SENATOR GRAVES: We didn't win. We only won because we told them that in two weeks I was going to vote to release the resolution and they should do everything they could to dispatch themselves to Washington. We didn't win that one. You beat us.

MR. GOLDMARK: I don't know, in your view, whether you won or lost. My point is that the State of New Jersey, through its appointed, legal methods, told us, do this. We said, okay, and when the State of New Jersey came back six months later, in part, Senator, because of pressure from you, and said, "No, we don't want you to do this," we said, okay. I suggest that this is a responsive Port Authority.

SENATOR GRAVES: It is just phenomenal to us three--and we don't want to give the same role that you and Alan had given--that everything that we did on this so far was right and nothing that we did was wrong. It is remarkable. I don't know how you did this.

MR. GOLDMARK: Senator, I am envious of your record. I wish I could enjoy such good fortune.

SENATOR GRAVES: But, in all three cases, in a period of seven months, the response that we gave turned out to be right. But, that's not what is important. That's not what is on the table. What is on the table is that I'm saying to you that you have an obligation to not say something to a legislative inquiry committee that, in fact, in 49 days reverses itself. That's important. If nothing else ever comes out of these hearings and our meetings, which have been all the things that Frank Herbert has said they have been, where you have been responsible, where you have been responsive, where you have not put us in the position where we had to hand something to you and tell you to come. You were more than ready to be there without it. But, yet, government loses itself. A governmental response to another governmental agency has to be the gospel truth--and we can't settle for anything less than that. Of the three things that you portrayed there, only one changed,

as far as I'm concerned, that was that you had ongoing negotiations at LaGuardia that will give you \$3 million more. The other two, your fiscal officers should have had that. I cannot accept anything that would be of an excusable nature that you have said here today under testimony that would change that picture so dramatically and so drastically as you have just outlined to us. It just isn't there. No accounting background that I could give myself or any legal background that I could call upon could possibly change that. You had the past, the present and the forecast of the future. All those things were available to you when you said just the opposite of what it turned out to be. That is what leaves with concern. This is not to admonish the Port Authority, but to say to the Port Authority that they have a responsibility just like any other area of government, and that is to base their statements on fact that can't be persuaded by time, by the Governor, by any other considerations whatsoever. That's awfully important to us because there is no substitute for trying to do what's right. All of us can make errors. The person that doesn't make a mistake hasn't been born yet, even though he may think he has been. A lot of them come down and we make mistakes every day, but not when we deliberately say something that doesn't portray itself, especially when you represent something that is used by so many of us, something that we depend upon in this area for travel, whether it is interstate or intrastate or going someplace else. We depend upon you and we can't have anything less than the service that you give, which is excellent. We need that matched with the facts that you give us that must be excellent.

MR. GOLDMARK: I would like to respond to that by saying that the philosophy that you have expressed, Senator, is exactly my philosophy and you have never received from me anything but the truth, as fully and well as I understand it, and you never will receive anything else from me. I am appreciative and thankful for the fact that you have characterized our past dialogues and meetings in the same words that Senator Herbert did. On a positive note, let me say that--and I know I speak for Alan and the Board of Commissioners on this--I'm prepared to keep meeting and keep talking on subjects on which you have concerns and we have concerns. We don't get tired easy and we're stubborn and persistent too.

SENATOR HERBERT: I think we're proving that. It's been two hours since we started. Do you have any further questions.

SENATOR GRAVES: I'm hungry.

SENATOR HERBERT: Okay. Thank you so much for coming Mr. Goldmark. We really appreciate your testimony and we'll keep in touch. I'm sorry, Assemblyman Markert has one final question.

ASSEMBLYMAN MARKERT: If I may, please, Peter, what would be your reaction to having a legislative body, whether it be through a committee or whatever, in both states address the fact as to whether or not, with the new facts that you can put together, it would be worthwhile or feasible to sell the World Trade Center and, prior to any bids being received, have that same committee of the Legislatures of both states address the issue if they so feel that it is worthwhile to divest the Port Authority of that facility and then look into the bids and the proposals that are being made by the prospective purchasers, prior to any action being taken on your part, which would then create minutes of the Port Authority which would then only be subjective to the approval or disapproval of the governors?

MR. GOLDMARK: My honest, personal reaction--and this is a complicated question, Assemblyman, I want to be very clear that I am not speaking for the Board on this--my personal reaction, and I'm sure that the Legislature will take its own

counsel and do as it sees fit, is that the most fruitful point of entry for the Legislature on this issue is once bids and offers have been made, if they are made, in evaluating from the point of view of the two states, the municipalities that are involved and the needs of the Port Authority, whether it makes sense to go ahead. That does not preclude dialogue as we've had today; it doesn't preclude conversation. My honest, personal reaction is that it would be, if your interest is in seeing that this project moves along, it would make it more difficult, probably, rather than easier for some of the private parties who are looking at it if they felt that they were dealing with three or four groups at once, including a legislative commission from each of the separate two states. I am not under any illusion that my personal opinion would influence what the two legislatures want to do, but I express to you the thought that the right point of entry, the most successful point of entry may be at the point when and if bids and offers are made because then it is critical. Then, the two states have to decide what those offers mean and who they benefit and to what extent.

ASSEMBLYMAN MARKERT: True, at that point, it would be critical and, of course, it would have to be addressed, but what about the first part of my question as to addressing whether or not it is feasible and whether it should be done or not and bringing the legislatures of both states into this decision with the facts as you would know them now? I don't know how you would feel or how the Commission would feel with reference to this, but it may not be to the advantage of the State of New Jersey and the State of New York to sell the World Trade Center, especially with the fact that suddenly we find ourselves with a piece of real estate that looked so very, very dark some months ago and now looks so very bright as far as returning a profit.

MR. GOLDMARK: To a degree, those questions can be answered hypothetically. I think dialogue and formal hearings such as we've had today can be useful in illuminating those questions. You heard me say earlier, and I believe it, that it is not likely to be a question susceptible to an abstract answer.

ASSEMBLYMAN MARKERT: I can address it further, then, myself through the Committee and we'll review this question.

SENATOR HERBERT: Again, thank you, Mr. Goldmark and thank you, Alan, for coming. We did have a request from Mr. Faiella that he be called before lunch. So, I will now call Mr. Alfred Faiella, Director of the Newark Economic Development Corporation.

A L F R E D F A I E L L A (sworn): Good morning, gentlemen.

SENATOR HERBERT: It is my understanding, Mr. Faiella, that you have a statement.

MR. FAIELLA: Yes, sir. I'll be testifying on behalf of Mayor Gibson, City of Newark.

SENATOR HERBERT: I see. Is it possible to digest your statement or would you prefer--well, we can enter it into the record and, perhaps, as you abstract it for us we then could proceed with questions. Is that agreeable with you?

MR. FAIELLA: Surely. I think I will do that. I will synopsise it for the Committee, but I would like to get into some detail.

First of all, gentlemen, I would like to thank you for allowing us the opportunity to be heard today. Again, for the sake of brevity, I will do some

synopsizing of this statement. But, I think it is worthwhile that Newark explain a little bit about its unique relationship to the Port Authority, since the majority of its physical facilities that have been built over the years reside in or are located in the City of Newark. In 1947, the City of Newark agreed to lease to the Port of New York Authority its marine terminal and airport, which, at that time, carried an annual municipal assessment of \$26,295,000. That lease was for a 50 year term commencing in 1948. The rental for that lease was \$100,000 per year and thereafter, after a ten year period, the rental for the properties under that lease would jump to \$128,000 per year. The Port Authority is required to expend a minimum of \$50 million pursuant to that lease for expanded capital facilities. In fairness to the Port Authority, the initiation of that lease in the City of Newark in administering those facilities, was losing \$2 million per year, a large sum annually in 1947. In 1966, under the administration of Mayor Hugh Addonizio, the lease was extended for a period up to the year 2016 and the minimum rental was increased to a million dollars for a four year period. I might add, while we can only speculate about that point in time, the mayor of Newark, Mayor Addonizio, was running for reelection and there was a pre-payment of rental, \$4 million, which was used to lower the tax rate that year and has now resulted in a sinking fund, so to speak, where the City of Newark, as my statement goes on to show, is paying, if you will, because of that pre-payment, and not enjoying the benefit of overage under that lease. The net result is that Newark receives \$1 million per year in land rental payments for an area comprising some 14% of the land area. On the positive side, however, the Port Authority has constructed on that property a \$.5 billion modern, international airport and modernized marine terminals, since that is one of the largest port facilities in the world.

We have now been in discussion for some four and a half years, before the initiation of state legislation, concerning the aspects of industrial park development in Newark and, of course, in other cities that came under the auspices of that legislation. While the site, we understand, has not been formalized, we think the general thrust of long-term, permanent job creation is a good thrust for the Port Authority in the future. This year, at our behest or at our request, the Port Authority put out to public bid the sale of the Newark Truck Terminal on Delancey St. because of increased industrial activity. That property was purchased by Englehard Industries, located on Delancey Street, employing many hundreds of people. The purchase of that and the cooperation of the Port Authority in allowing the purchase of that plant has allowed Anglehard to do a major expansion in the city, undertaking what could be an expansion which will approach some \$15 million of capital expenditures in the City of Newark employing many more hundreds of workers.

In addition, we have concluded, recently, an agreement and it has taken the form of state legislation wherein an occupancy tax for hotels would be levied in the State of New Jersey and credited, that occupancy tax, against real estate taxes on existing hotels and future hotels. This was done envisioning the Port Authority going out to bid and asking the private developers to build a hotel at Newark Airport. This is the first instance, I might add, that will allow something approaching a payment in lieu of taxes for a facility under lease by the Port Authority in the City of Newark. During the past several years, the Port Authority has aggressively marketed the Newark Airport and Newark Airport continues to lead the metropolitan region in increased passenger traffic. During the past three years, a number of new airlines have joined Newark Airport and passenger ridership grows daily. It

has contributed and is contributing, I should say, \$2 million toward a \$21 million renovation of the Penn Station which is now, we think, the impetus and keynote for downtown revitalization which has already commenced. Prudential Insurance Company is studying the feasibility, I might add, of two new \$50 million office buildings adjoining the station and the rehabilitation of that station is the key to that and the Port Authority is contributing and cooperating in that regard.

The Agency has received much criticism, and not unjustifiably, in the past. We think that its accomplishments testify to its operational efficiencies and management capabilities and its uncanny ability to get projects completed. Since its inception, our statistics show that over \$4.8 billion worth of Port Authority bonds have been sold. If the Port Authority has become unresponsive or unaccountable, as some observers argue, it is because proper direction and control has not been furnished over the years by the State of New York and the State of New Jersey. We think the Port Authority must become more responsive, but these calls for responsiveness might be channeled into the Port Authority's current activities and those which it might decide to embark on in the near future. The plight of Newark, for instance, might be made more palatable, for instance, if a head tax were imposed on communities utilizing the airport, which is not uncommon at most other airports in other areas of the country, and dedicated to the two municipalities where that tax exempt facility is located, Newark and Elizabeth. Additionally, the overage provisions of our ground lease might be investigated by a third party, an objective party.

Issues such as these and the possibility of direct mass transit access to either Newark or the Airport or other areas servicing our urban centers have to be explored. We do not support replacing or dismantling the Port Authority of New York and New Jersey. We do, however, support closer accountability and responsiveness by the body, which, by some examples I showed earlier, we think show that have been undertaken and continue to be undertaken by the courts and the current administration. Perhaps some of those accountabilities might take the form of input and monitoring by municipalities wherein its actions are affected by the Port Authority on either side of the river. Abolishing the Port Authority and replacing it with a smaller bi-state agency responsible solely for cross-Hudson transportation facilities would be counter-productive, in our opinion, to the New York-New Jersey metropolitan area and its future economic growth.

The ability by either governor to veto the minutes of the Port Authority meeting, we think, is an inadequate, disjointed method of managerial control. As such, perhaps a more direct line of communication and scrutiny might be instituted. The formal methodology of that should be left to the two governors of the respective states.

That is a synopsis of our statement gentlemen. I think that synopsis, however, gives the general flavor. If there are any questions, I will be happy to answer them.

SENATOR HERBERT: Thank you very much for doing that for us. Your full statement will be entered into the record. What other communities in our nation have the head tax?

MR. FAIELLA: If my recollection is correct, I believe the airport outside of Pittsburgh. There are several others. There are some constitutional questions involved which have been either upheld or disallowed, Senator, depending upon the particular piece of legislation. We are always hungry for revenues and while I do not want to mislead the Committee in saying that, perhaps, the ground lease

is something that will necessarily provide that, that is one avenue. However, something like a head tax, say a dollar per passenger, which is, I believe, the methodology in Pittsburgh, might be a readily able way to increase revenues for cities like Newark and Elizabeth. We'd like to explore that option. I doubt that a dollar, for instance, per head of those passengers traveling--and this, of course, might have to apply in both states--would, in any way, infringe upon passenger growth, which we want to encourage as much as the Port Authority does.

SENATOR HERBERT: The hotel tax, head tax on the new hotel, that has not been signed by the Governor as yet, has it?

MR. FAIELLA: To tell you the truth, Senator, I don't know. I know that both houses of the Legislature have passed the bill.

SENATOR HERBERT: Yes. We supported that in this Committee. You say the ability of either governor to veto the minutes is an inadequate and disjointed method of managerial control and yet, you offer no alternative. How about legislative oversight, as Assemblyman Markert has suggested?

MR. FAIELLA: The lack of an alternative in our statement was intentional, Senator. I think it is inappropriate for the City of Newark to be deciding that. We have some ideas, but, again, I think it would be inappropriate to say for the record what those might be. I think, perhaps, if I'm not mistaken, from the comments I've heard today, both parties, in fact, are disenjoying, if you will, as much communication as I think there can be and the rather radical step of vetoing minutes, perhaps, is not the best way of going about exercising oversight in terms of an agency such as the Port Authority. So, I open it for discussion in terms of either this committee or the governor's office, either governor, to think about a different methodology of insuring, perhaps, better responsiveness and/or communication, if that's a more proper word.

SENATOR HERBERT: On balance, your statement seems to indicate that Newark has not been displeased with the role of the Port Authority and the development not only of the Newark Airport, but of the City itself, on balance.

MR. FAIELLA: On balance, I think that is a correct statement, Senator. It is pretty easy to go back and say, in 1947 and in 1966, the administration of Newark made a bad deal, but I think we did. However, on balance, many Newark residents are employed by Port Authority facilities and, in fact, perhaps, with the type of actions we've seen under the current administration of the Port Authority, like the sale of the Newark Truck Terminal, being responsive to the needs of the cities within its district, like the occupancy tax and the profering of the legislation. That's the type of Port Authority responsiveness that municipalities should enjoy.

SENATOR HERBERT: This is exactly the kind of response we wanted today. You're critical, of course, of the report, but we need input from folks like you to tell us where we went wrong in the report. You do oppose the proposal that we made in the report of the Hudson River Transportation Authority?

MR. FAIELLA: Yes, sir.

SENATOR HERBERT: Okay, thank you very much, Mr. Faiella. Senator Gagliano?

SENATOR GAGLIANO: Yes. You know, you learn so much when you come to these meetings and hearings. I had no idea of the magnitude of the lease, I guess, between the City of Newark and the Port Authority. Under the terms of the lease--and this is the first time that I've heard about it--can you renegotiate the income from that lease that comes from the Port Authority to the city?

MR. FAIELLA: I have to answer that in two parts, Senator. That lease was only for a 50 year term in 1948. It would have elapsed in 1990--and I have to add that by general real estate standards, a 50 year term for a ground lease, with any major capital investment, in my opinion, is rather short-term. In 1966, however, that lease was renegotiated, as I have said in my statement, and besides the additional pre-payment, there was an overage situation set up. There was another matter put into the lease at that time. Newark was not allowed to examine the books of the Port Authority under the ground lease. So, while we have an overage situation, the lease that was accepted at that time, the extension of the lease, prohibited Newark from examining the books of the Port Authority, as they related to the overages. The extension of that ground lease to 2016 provided for a clear and definite minimum payment for land with no tax payments, of course, those being public facilities under the legislation of the Port Authority. So, to answer your question, no. There was a reopening of the lease in 1975, which brought that \$.5 million payment I referred to back up to \$1 million. But, no, there isn't really any legal ability to renegotiate that ground lease and, in fact, perhaps, besides from a legal standpoint, there really isn't any business reasoning for the Port Authority to open that up. We use that by illustration, I guess, as part of the background of our remarks to show you that we do have a long, continuing relationship with the Port Authority.

SENATOR GAGLIANO: Why do you think that the City of Newark would sign a lease where they were giving up so much of their land area, regardless of whether or not the City of Newark could develop it itself, and then agree not to be able to examine the books of a public corporation? Why would that ever come about?

MR. FAIELLA: I think that at that time in 1966 the current administration in Newark was more interested in winning an election and getting a lump sum payment to lower the tax rate than it was in hocking the city's future, very frankly, Senator. It was a mistake, probably immoral, but, nonetheless, it was a business deal for the Port Authority. It was immoral on the part of the City of Newark's administration at the time.

SENATOR GAGLIANO. Because, according to the 1979 numbers that we have, Port Newark had a revenue of almost \$17 million in 1979 and expenses attributable to the Port of \$8,600,000 for a profit, you might say, of \$8.3 million. How much are they paying you now, per year?

MR. FAIELLA: The City of Newark has received since 1975, I believe, a flat payment of \$1 million per year for that land lease and, again, that was structured, at least the extension of it in 1966--and we've had discussions on this. There have been 13 separate supplemental agreements. In other words, really--

SENATOR GAGLIANO: None of them get to the heart of the matter, though, that the City of Newark needs the money and could use the money and they really can't get anymore.

MR. FAIELLA: I think, though, that the type of actions I have listed have taken place in the more immediate past, like the occupancy tax and this current administration is more sensitive to the plight of cities like Newark that, in the past, have made a deal which, in fact, gave away so much of its land area. In fact, to put this in balance, the many billions of dollars of capital investment on a relatively short-term period of lease, now to run up some 35 years, only the Port Authority could provide those kind of jobs and capital investment.

SENATOR GAGLIANO: Yes, but, for example, the 1979 numbers also indicate that Newark Airport has a revenue income of \$73 million, expenses of approximately \$38 million for a \$35 million profit in '79 and I don't remember the numbers, but I believe Newark Airport is doing better now. So, let's say, there is approximately \$35 to \$40 million profit on Newark Airport, approximately \$8 million on the port and it seems to me that the Newark Truck Terminal lost, but they sold that. They sold the loser, so to speak.

MR. FAIELLA: We were happy to see a local industry buy it.

SENATOR GAGLIANO: Would the City of Newark ever consider litigation which would set aside these leases and require the renegotiation of the leases, do you think? I don't want to put you on the spot, but, frankly, the income that the City of Newark gets really seems to be minimal. Again, we're dealing one public agency with another. It is not as though the Port Authority has to make a profit.

MR. FAIELLA: I think there has been litigation, not necessarily to set aside the lease as much to do with classifications and provisions though I'm not as familiar with it as I would like to be. It relates to different aspects of the lease. It may be well for the City of Newark to initiate some discussions in the future about the overage provisions and see what the responses are like.

SENATOR GAGLIANO: I think your report is excellent and you are obviously, to me at least, very well qualified to represent the City.

MR. FAIELLA. Thank you.

SENATOR HERBERT: Senator Graves?

SENATOR GRAVES: No questions.

SENATOR HERBERT: Thank you so much for coming. You have given us some very good information and I commend you for it. Thank you.

If there are no objections, it is my feeling that there are some people out there who would prefer that we go through with the hearing. We still have some very important and well qualified witnesses. I will be glad to stay here if my colleagues wish to go out and have a sandwich or have some light collation and the same with you out there. I am just as willing to continue the hearing. So, we will proceed. Annmarie Walsh, Staff Director of the Governor's Task Force on Tri-State?

A N N M A R I E W A L S H (Sworn): Thank you. I would like to start out today by saying that I am here in my capacity as a private citizen and author of a book on public authorities, "The Public's Business", not in any way in my capacity with the Task Force on Tri-State. What I have to say has no concurrence with that task force or no relationship to it.

SENATOR HERBERT: You came to our attention because of your book, Professor. A good section of your book was on the Port Authority and I was quite pleased with what I read.

MS. WALSH: I will try to be very brief in sympathy with grumbling stomachs, among other things. But, I've read your report of September very carefully and I think the general thrust of my reaction to it is that it would be more advantageous to the two states to devise effective means for defining what they want the Port Authority to do and for gaining Port Authority cooperation in doing that than it would to dismantle the existing facilities.

The Port Authority is an island of management competence which is quite extraordinary in this day and age and the job of managing an airport is a

highly technical job with which they have a good deal of experience. There also are some very serious regional dimensions to airport management that cross the state boundaries, particularly when you look at the importance of air travel in the international economy. This has become more and more important to this region.

SENATOR HERBERT: Could I just interject something? The thrust of our report, I think, was not that the management of the Port Authority would suddenly be out looking for other jobs. You realize that?

MS. WALSH: I realize that.

SENATOR HERBERT: For example, when the New Jersey Transit Corporation was set up, the COA, Commuter Operating Agency, most of their bureaucracy went right over into the new agency and I think we probably, if it ever comes to fruition, we are thinking of something along those lines where we wouldn't lose those competent managers, but, at the same time, the states would operate.

MS. WALSH: Yes, there are other dimensions to it. Mr. Sagner seemed to think I would criticize the installation of the Port Authority, but once you get into it in great detail, you see that, for example, the independent personnel who have come into the Port Authority have enabled it, through its training programs, to get good people working for it and there are a lot of aspects of management that are useful and could be useful to the State if they could get a handle on what the Authority is doing and get it doing what they want it to do.

In terms of the capital raising asset, I think that is something that should be looked at very carefully as well. As I understand it, part of the proposal would be to refund the debt, the total Port Authority debt, by selling the Trade Center and therefore, you could break out the facility.

SENATOR HERBERT: That was our thought in the report.

MS. WALSH: Even assuming that the World Trade Center could be sold for \$2 billion or more in order to refund the entire Port Authority debt structure, you would be having some very severe impact on the future capital raising power based on those revenues and you would be refunding debts that are out at 4, 5 and 6% in an era where new debt of the new instrumentalities would be at a very much higher interest rate. So, I guess it brings me back to the essential question that has been asked for at least thirty years at every hearing that the Port Authority has been the subject of and that is, how do you get a handle on harnessing as an asset the state policy.

I think there really are two problems. One is getting the two states together to define jointly what they want out of the Port Authority. It is true, over the years, that much of the Port Authority's independence in choosing what it wants to do is established by the fact that the two states have often disagreed and they have had to bargain for short-term packages for the Port Authority. In order for the states to exercise policy control of the Port Authority, the states have to figure out, really, what they want that Port Authority to be doing. The Port Authority has done its part. It seems to me that the two states need a joint committee on the Port Authority's future that can start with that choice's document and start thinking about what the priorities are. I, myself, think that the priorities have to be in moving people and freight in this region. The Wall Street Journal this morning reports that the transition team of the new Administration in Washington is recommending dramatic cutbacks in support for public transportation. If the amber light is on all over, I submit to you that the future of the region can look very dim because public transportation is crucial to private investment and all

the surveys show that public transportation is crucial not only for the trip to jobs but even for transporting materials and data and supplies to businesses that locate in this region and that would lead me to question whether the industrial development is the place they should be going into, not because they couldn't do as well, but because there are other agencies in the State that could do that.

SENATOR GAGLIANO: Including private enterprise?

MS. WALSH: Including private enterprise. If the Port Authority has to plan industrial parks on a self-financing basis, then there are other agencies and companies that could plan industrial parks on a self-financing basis. Anyway, I am saying that it should be up to the states to have some input into the future priorities of the Authority and in order to do that, the states have got to get their act together, if you will, and create an instrumentality for that.

SENATOR GAGLIANO: May I interrupt for a minute. I think what you are saying is exactly right, but some of the things that seem to happen is that the politics on both sides of the river and then when a governor is elected, the governor in either situation--and again, I am speaking definately as an outsider and, to a great extent, as a layperson--the governor then considers, maybe because of his veto power in the minutes, he considers the Port Authority almost as an arm of that governor's administration and so, what you are saying about getting our act together is extremely important. But, up until I got involved with this Committee and this sub-committee, I didn't realize or really didn't think of ourselves as having any part of the Act, if you know what I'm saying. You certainly have gotten into it a lot more deeply than any of us. We have, basically, nothing to say from the legislative standpoint and I think if you check the history of the legislation, the history of the legislation is either that it has either been drawn by governor's counsel or by governor's counsel in conjunction with the counsel to the Port Authority. Alan is saying that he doesn't agree, but I think that's the way it has been. Then, we get a document on our desks, which is the legislation needed in order to carry out whatever the administration and the Port Authority people have gotten together on. That's just a reaction and I don't know whether it is true or not. Maybe you could comment on it.

MS. WALSH: I think that is true. In general, the proposals for Port Authority action come to the Legislature at a point in time where it is really too late for you to do very much about it. Once a fully blown proposal is designed and it is a yes or no decision with some specifications that can be changed, the priorities have already been set, in a sense, and you're only getting one piece of the proposal put in front of you. It certainly was true that the World Trade Center was not invented or not primarily promoted by the Port Authority. In fact, there was a period when Austin Tobin was not enthusiastic about it. It definately was a package project that the governors supported and supported very strongly. Through 1968 to 1972, there was a commission set up of the New Jersey Legislature which was called The Autonomous Authority Study Commission which held joint hearings with a New York State Legislature committee and those joint committee hearings came as close as I've ever seen any legislative group to beginning to get a handle on Port Authority finances and how Port Authority decisions were being made. It seems to me that you do need some sort of joint state task force that would bring both legislative and executive groups together and take the Port Authority's report on the future and consider it from the state point of view.

The other thing I think you need is to get a handle on the finances. You can argue back and forth whether depreciation should or shouldn't be included, whether bonds could be issued for the buses or whether they couldn't be issued. In fact, there is no yes or no answer. The answer comes when you negotiate with investment advisors and the bond houses and you go to the bond counsel and investment bankers and say, "Here are the finances. Can you sell this deal or can't you? How can you sell it." They are very creative. They can sell bonds for subsidized, housing mortgages, for municipal projects and for all kinds of things.

The public side, your side, needs to have access to financial advice in order to assess the proposals that come before the Authority, to assess the information you are given, about what they can afford and what they can't afford. Your side also needs the information and, as far as I'm concerned, I think the crucial instrument for developing accountability would be to have a requirement that the Port Authority develop a five year financial plan in certain clear categories, with certain clear categories of information by facility, on investment, on revenues, on expenditures, and only on the basis of a five year financial plan like that could you get financial advice from your state comptroller, from your state treasurer and be able to assess what direction it is going in and what the priorities of expenditure are. Certainly, the net revenues of the Port Authority support things like the World Trade Institute. They support some of the deficit operations of PATH. They support a number of things which may turn out to be very worthwhile things that you want to support. But, unless you get a public financial plan, broken down by facilities and by programs, it seems to me that you are left without any real handle on what the facts of the finances are or what the probabilities of future investment in public transportation are.

That's really all I have to say in my initial statement. I'll be happy to answer any questions that you might have.

SENATOR HERBERT: First of all, I would like to thank you for coming. I know you are a busy person. I appreciate it. I went to both high school and college in New York City and I love New York, even though I am a legislator in New Jersey. Yet, even with our meeting, in the meeting that we had with the mayor's people on the report, the parochialism came out that New Jersey is getting more than New York and in the Governor's statement the other day, he's convinced that New Jersey is not getting its fair share from the Port Authority. I just get the impression that there is too much parochialism; that your interests don't change that greatly when you cross the river; that we're in the same boat together in this region. I think the Port Authority has given us good direction in that regard. You think there is too much parochialism, whether by commissioners, legislators, governors, big city mayors, whatever. You look for a meeting of the minds between legislators to sit down with this great plan that you're talking about and say, "Look, this is one big port area and we would like to develop it to our benefit," whether or not one or the other of us feel that the other side is getting 10% more or not.

MS. WALSH: I think I have been accused of being naive in my push for some kind of public financial plan that the states could react to, but I do think it is possible and I think it is possible to reduce the parochialism. I think the parochialism is the main contributor to what you may perceive as insulation of the Port Authority because they are dealing with a mayor of Newark in 1966 that may have his own needs; they are dealing with a mayor of New York in 1975 that has

his own needs; they are dealing with a governor of New York who has some visions for downtown. In effect, you are being picked apart and dealt with as separate groups and there is no unified thrust of oversight for the Port Authority and I don't think that is something you can blame the Port Authority for. They are faced with parochial demands that appear to them, often, to be demands that would destroy their managerial capabilities or their financial viability. This morning you have been discussing issues for which you have no way of deciding what the real answer is without detailed financial plans in front of you and investment advice to interpret them.

SENATOR GAGLIANO: Professor, I think we're going through one of those processes right now and we're probably going through several, but again, we haven't been around that long. I think we're going through one of those right now with respect to industrial park development. I asked a question before about whether or not we're consulting, and maybe I didn't ask it as well as I should have, but really, what I would like to see is the development of a plan or series of plans and then submit it and commented upon and then go on to the next point and the next point and the next point. I think what the Port Authority has every intention of doing--well, they send us the minutes, which is a small thing. I've never seen them, by the way. If they come into, for example, Senator Merlino's office, maybe he sends them onto someone else, but I've never seen them. I've never asked for them either and that's what I'll be told: "You never asked for them so you didn't get them." But, what is happening is that the Port Authority is just moving along with its experts and its engineers and everybody else and its property acquisition people and then there will be a big press conference and a reception, et cetera, where all of these plans will be unveiled and they may or may not be the best for the port area, the best for New Jersey or New York, but we won't really know about that until it is over and I think we're going through exactly the same process that we've gone through over and over again and maybe it is a matter for the Port Authority, maybe it is best for them, as an agency, to do it that way, but I don't think it is necessarily better for the port.

MS. WALSH: It will then present you with a decision too, that you either support it or you come out against that kind of development or you come out against the localities whose support has already been garnered for the proposals. So, it does put you in a spot where there doesn't seem to be any systematic point in the decision making process where anybody is asking what will the bond raising capabilities that are allocated to industrial parks, how will that affect the future bond raising capabilities for public transportation. Now, I realize the argument that industrial parks will eventually become self-financing and public transportation will not. But, still, the bonds are consolidated. They cover the entire revenue picture of the Port Authority and only if you look at the entire picture can you judge where and how much investment could be channeled into public service.

SENATOR GAGLIANO: If the Port Authority was a private corporation interested in the profit motive, I could see their moving along the lines that they are apparently moving in this and other projects. But, I don't understand why they have an entrepreneurial attitude, which I think they do. They're not there to make a profit, except to keep the wolves from the door, so to speak.

MS. WALSH: In fairness to the Port Authority, you have a long history of conservative financial management, which has protected their very good capital raising power at low interest rates. I think they may be able to refinance one 8%

bond issue now down to 6%. Their proof of the pudding is that they can raise money cheaper than most public agencies and the government representatives like yourselves have to be able to take the position that we're willing to sacrifice some of this credit rating, perhaps, to a slightly less conservative financial policy. But, I don't think, in all fairness to the Port Authority, that the governors or the legislators have ever really clearly come up with a policy in that area. They've come up with specific demands for the Port Authority to spend money here and spend money there and spend money someplace else, but it has not been in a coherent, well-informed, financial policy that the Port Authority Commissioners could consider.

SENATOR GAGLIANO: Do you think they really want that?

MS. WALSH: No, sir. But, I think that they have open minds.

SENATOR GAGLIANO: In a situation like this, isn't exactly what is happening good for the Port Authority commissioners and the high level employees because, actually--and you hate to say it--but they will play one state government against the other; one governor against the other; and it goes back and forth across the Hudson River. As I say, I feel that that does not make for responsiveness and I don't think it ever will.

MS. WALSH: That was very definitely the pattern and it was the strategy of Austin Tobin and definitely the pattern of Port Authority dealings with the two states through 1975. I really can't speak to that question since then. There seems to be some evidence of change.

SENATOR HERBERT: I suppose we're dealing with a remainder of those great years of arrogance and power that you speak about and I was very sincere in saying that I think there's been a change for the better with the present commissioners, the Chairman and with the Executive Director. I always feel that in the Legislature that we're always arriving at 11:30; that everything that we see has been worked on for months and, as Senator Gagliano puts it, the legislation is laid on our desks and there is no input. I might add to what he says. We're also told to hurry up and pass it because it is very important. I can remember one day in the Majority Leader's chambers, the Director of the Senate Majority, when Senator Gagliano and I wanted minor changes to one of the Port Authority bills and the pressure from them and their counsel and from the Governor's office was intense. As a matter of fact, I'm proud of the changes we made. I thought they made a better bill. It was hurry up and pass it and then we had to wait for New York for a year and two months before they passed the same bill.

SENATOR GAGLIANO: Not only that, we were even taken into a special room where they could talk to us privately. The Governor's Counsel, Mr. Falvey, and someone else from the Port Authority, they didn't want us to be heard by anybody else. I had only been in the Senate about four months and I didn't realize that they were getting us away from the people.

SENATOR HERBERT: You see, we just get the impression that we're not part of the decision making process and I think we're moving toward a better combination. First of all, I think the committee system in our state has been more aggressive; we have good leadership on both sides of the aisle, in both the Assembly and the Senate and we will take into serious consideration your suggestion and contact our colleagues in New York State and start talking about this financial plan developed by the Legislature.

MS. WALSH: You see, it would not be part of the annual budgetary process. That would not be appropriate and that would put the time pressures on you. But, simply as a public planning document on which you could hold hearings and on which you could build up the information basis, you would have a more timely background when you are presented with an immediate judgement.

SENATOR HERBERT: Of course, in both states, we are a part-time legislature. We all have our own things to do and it is extremely difficult. It has been used, I think, to the advantage of the Governor's office and I don't mean just Governor Byrne. I mean through the years that we've been down here. I have no further questions. Senator Gagliano?

SENATOR GAGLIANO: Thank you very much.

SENATOR HERBERT: Thank you so much for coming. We appreciate it. Dr. Jameson Doig of the Woodrow Wilson School, Princeton University? Dr. Doig's forte is transportation, especially in this region, and he has written an excellent book here, which we've perused, Dr. We would ask for your autograph, but it belongs to the State Library.

JAMESON DOIG (Sworn): Let me say something by way of introduction and then offer to answer questions with regard to a number of issues that you have before you, including industrial development park programs, marine terminals, the sale of the World Trade Center. I have some opinions, some well founded and some probably only hunches.

SENATOR HERBERT: You're not going to go through that whole folder you have in front of you, are you?

DR. DOIG: Oh, no. I am at Princeton University at the Woodrow Wilson School and I've been following what was then the Port of New York Authority and its activities since the late 1950's and, as you know, I've got that book that has something to say about Port Authority and I and a colleague are just finishing an even longer book on public policy and urban development in the New York region that deals with not only the Port Authority, but some of the other authorities that you and your fellow legislators in New York State should be concerned with, the New York Housing Authority, for example, the Metropolitan Transportation Authority, a number of other semi-autonomous agencies which, in one way or another, manage, compared to line agencies of the government, often to evade close scrutiny and supervision by the Legislature and often, as well, by the governors and mayors of our various communities.

Let me identify what seems to me to be a number of issues or questions that might be properly considered by you and I won't attempt to treat them in great detail, especially given the hour, but it does seem to me that under the set of approaches you identified in your September report and the questions here that you've raised with Mr. Goldmark and Mr. Sagner, that there are certainly, at least, two different elements or two different issues that ought to be considered carefully and systematically and I want to just say for a moment what it seems to me those issues can break down into, in terms of a set of more detailed questions.

The first question is, how do we as citizens of New Jersey assure that the Port Authority is both accountable and responsible and by what means could we improve the Authority's accountability.

The second, obviously raised by your report very directly, is, what should the Port Authority's duties be?

With regard to accountability, it seems to me that there are two aspects of accountability, both of which need to be considered in any careful analysis or critical appraisal of any state agency, particularly the Port Authority. The first is, to whom is the agency accountable? That is, what is the regular line of authority? In the regular line agency, of course, this means you move up from, for example, the Commissioner of Transportation to the Governor, then to the Legislature and down to elected officials. With public authorities that line of responsibility is often much less clear. So, there is a question of the formal line of hierarchy and responsibility and the role of a legislative official and the role of the Legislature in that area.

There is a second kind of accountability too and that is, you can ask the question in terms of what general values and standards is an agency responsible. That may give you a different outlook, a different lens with which to analyze and critically evaluate an agency because you may find that you have a clear line of accountability in the formal sense up through the Governor and the Legislature, but the agency, in reality, springs free from that and is thinking mostly about a range of activities and concerns that may not express what the Legislature believes is desirable in terms of the public interest.

In terms of accountability methods--and here I really speak of the different levers available to a legislature or a governor or a mayor of a local agency. What are the levers that are available? What can you squeeze if you want to alter or affect the way an organization is being operated? Well, I have identified about five or six of these. First, of course, is the method of selecting the leaders and the members of the agency itself. The second one is the use of statutes in order to define an agency's mission and limits. The third, of course, goes to the matter of money. How is the money obtained. Here, that affects the accountability of an agency in very crucial ways. Fourth, with some sub-divisions, what are the various methods of continual oversight and communication between an agency and those elected officials that feel that they need to be kept informed and to act appropriately. Those methods of continued organization include those that defer or rely primarily on the elected Chief Executive and his or her staff, on legislative committees, on ties to local communities, which themselves may be directly concerned with a set of activities of an agency, and an approach often suggested by the Port Authority itself, the use of press releases, annual reports and other methods of insuring that the region and its members are kept informed.

Let me say a little bit about each of those methods that might be used to make a government agency accountable. The first one has to do with the selection of leaders of an agency. You suggest in your report that if we could have an agency, whether HRTA, which is the acronym for the Hudson River Transportation Authority, or some other form where we could increase accountability of the agency through the appointment of ex officio members of that agency. To me, that is an approach worth considering. I do think, though, that the experience of the New Jersey Housing Finance Agency, the New Jersey Economic Development Authority and other agencies, not only in this state but in others as well, raises some doubts as to whether ex officio appointees are going to provide any certainty of increased accountability. In fact, it may be the reverse. It may be that they provide the appearance of increased accountability, whereas those officials are really drawn off so fully into their other activities that one has really lost the ability to obtain what I think you do get, when Mr. Sagner comes up here, the fact that you're

dealing with a person who can think, at least in terms of his public responsibility, mainly of the role and activities of the Port Authority, not being drained 95% of the time with a range of other, and often complex, public policy issues.

SENATOR HERBERT: Professor, one of the problems that we had is the sending of surrogates by the ex officio member to various boards. For example, the Community Affairs Commissioner's ex officio member, his only committee, I guess it goes on for about eleven, including the Meadowlands Commission and some others. Now, we've had some commissioners who are, they really wanted to attend all the meetings, but they couldn't. Quite often, the meetings were held at the same time and they had to send surrogates. That's the problem. So, maybe we could do some work and restructure it or, perhaps, make a newly named commission with responsibilities.

DR. DOIG: I do see that same problem of surrogates because I do serve on the state's Correction Council by appointment of Governor Byrne, with your confirmation in 1978. Commissioner Ann Klein is a member of that group, as are the Commissioner of Labor and Industry and several others.

SENATOR HERBERT: And, you've never seen them.

DR. DOIG: Well, I have seen Ann Klein once. The others haven't yet appeared and that's been 2½ years. So, I think you are right that the ex officio members send surrogates and those surrogates, of course, lack both the authority and often the breadth of scope that the primary officials would provide. We think, though that the selection of top policy makers is another dimension which I think your legislative committee might think about and also the governors' offices might, and that is the background of those that are chosen. It has been traditionally, at least in the 25 years that I have followed the Port Authority's activities, it has traditionally been true that the predominant background of those chosen as Port Authority commissioners has been bankers and other forms of business. This provides a particular lens, a set of criteria against which the set of activities of the Agency are to be evaluated. There have been a few former elected officials. Senator Walter Jones from your own county, that is from Bergen County, was a member and of course, Robert Wagner is currently a member of the Commission staff. There have been one or two professors.

SENATOR GAGLIANO: Senator English.

DR. DOIG: Senator English, that's right. I was going to say, in regard to Jerry English and Alan Sagner, they provide, I think, an illustration of an approach to appointments which ought to be continued and that is, of people who have significant policy experience at the state level and, therefore, bring to bear a set of concerns regarding public values and broader and long-term public concerns beyond that normally available to a person whose background, primarily, is in banking. It seems to me that there is still more variety you could obtain both in terms of having more women on the board, having members of minority groups, having a variety of other backgrounds considered. That's mainly, you might say, of course, a matter to be considered in the Governor's office where there are officials who make recommendations. But, in fact, in the Port Authority and in most state agencies, the decisions often are based on recommendations coming out of the agency itself. So, there is a sort of self-perpetuation of the kind of background that one always has to guard against.

SENATOR HERBERT: I did not know that. You mean the agency itself will actually suggest names to the Governor?

DR. DOIG: Well, I'm speaking most generally and it has certainly been true in some cases with regard to the Port Authority. It is true of other agencies as well in New York and New Jersey.

There is also the question of the selection of other staff members and I suppose, here, though it is not a matter directly before you, one ought to acknowledge, at least, that one can obtain some forms of direct political accountability and responsiveness by considering an agency as being an appropriate place for patronage and it does seem to me that one of the things of the Port Authority, at least from the point of view of those of us who think it has done some things that have been useful, are appreciative and I think this is a matter to which Dr. Walsh also was referring, is their ability the in-roads of patronage. It is quite different, for example, from the New York City counterpart, their Department of Ports and Terminals, which, for years, had a reputation of being a good place to put those who can't quite make it either in the private sector or they've done good party work or who, otherwise, need to be sent out to a place where they can appear to do some good, but where very little is actually done.

SENATOR HERBERT: We call them hacks.

DR. DOIG: That's right and sometimes they should be called hacks.

SENATOR HERBERT: Especially if they are of the other party.

DR. DOIG: That's right. Otherwise, they are party faithfuls.

The second approach, as I mentioned, which you as a legislative body may, of course, provide is the use of statutes to define an agency's duties and limits. You can draw a statute very narrowly. A turnpike authority, for example, where the roads are already built, is given the responsibility only to operate and maintain an existing set of highways and has an extremely narrow range. Accountability, in that sense, is determined significantly by the tight lines within which the agency must operate. You can broaden that out somewhat and on does, of course, with regard to a state agency, including the Turnpike Authority, in terms of the selection of new routes. The question of there shall be a new route running across the state from Atlantic City, for example, is a matter that gives more discretion to the agency, involves negotiations and negotiations within which that agency, of course, may take the lead. The broadest kind of discretion available, at least to those agencies that are semi-autonomous, as a public authority is, are probably those given to the Port Authority of New York and New Jersey. I think that would be true and certainly they would compete in terms of that breath nationally, as well as within this region. Her, of course, we have an economic development role, a whole range of activities, transportation and otherwise, with some discretion in the choice of which projects and allocating funds among those projects. The Legislature's role, which I think you've all underscored, is often that of simply responding to the selection or to the package brought to bear to the agency or to the Legislature and the Governor by the Authority.

One question is, and I think your recommendations suggest that possibility, is whether you should simply narrow that down. You're going to get a lot more accountability, in one sense, if you carve up the agency's activities in such a way that it is running only those bi-state transportation facilities. Now, you may do so at some cost and I will come back to that in a moment.

Then, there is the question of controls over funds available, over monies available to the agency. In most executive agencies of government, this is, obviously, a crucial point. That is, the Governor has, and on the national level

the President has an office of management and budget. The agency's request must funnel through that office. This, then, provides a decision point every year which can then be used not only, of course, what funds will be available, but how those funds ought to be used. It is a justification of the use of funds that, in effect, puts the feet of any executive agency to the fire, on an annual basis, and I'm sure that there is some oversight, at least in the executive office, and in those cases where those states or the national legislators that are well organized to deal with appropriations and policy, it also insures that they will, on an annual basis, have this kind of active concern. Of course, for public authorities, that is much less the case; a very, very good deal for the metropolitan transportation authority running as it does, if running is the right word. The Long Island Railroad and the New York subway system and some other activities, there is, of course, a need for regular and continual obtaining of funds from city and state governments. For the Port Authority, of course, that is much less true. Therefore, one needs to think about ways of continually monitoring the financial results. I think this goes in two directions, one of them implied by the considerable attention filled dialogue, especially between Senator Graves and the Authority spokesman and another by Dr. Walsh.

I think it is true that one ought to be able to obtain on a continual monitoring basis what the financial projections and what the income flows are in a wide variety of areas of Port Authority activities. I think Senator Graves is probably right in saying that at least in the abstract, at least in theory, two of the three elements that appeared to change between early September and late October could have been known. There was someplace in the black box known as the Port Authority's financial control and auditing system. The third, the renegotiation in regard to LaGuardia, probably could not have been known.

The first two, from what I know of the Port Authority, were known someplace down there in the Port Authority. But, because they are known somewhere in an agency of 8,000 people does not mean that they are necessarily going to be at the fingertips of those who are formally in control.

SENATOR HERBERT: That is specifically why I said in my report that they seem to do what they want to do, when they want to do it. They have the money and the announcement was made. They had it all the time that the announcement was made and Mr. Sagner seemed to object, but that was particularly what I was thinking about, that particular episode.

DR. DOIG: Of course, I wasn't party to that set of discussions. So, I don't know what the detailed set of assurances were. But, it does seem to me that one thing that the Legislature ought to be able to ask for is, what would be the difficulties and problems, if any, if the Port Authority had an officer in the Auditing Department, I suppose, who would make available these materials on a regular basis, providing the information on continual flows and the projections over a one to five year period? I think the other side to that, and the one suggested by Dr. Walsh, is a five year plan. That is not a projection based on currently incoming revenues, but a five year plan, which suggests what in fact does go on inside the Port Authority ought to be made public. That is, they are engaged constantly in a five and a ten year set of calculations regarding what are the likely income flows; how can those income flows be used; and what are the trade-offs in terms of allocating that money. This is, of course, a general approach taken in the field of financial management and, certainly, the Port Authority staff is aware of it and is able to move in a very sophisticated way.

SENATOR GAGLIANO: Professor, that was my point, though. The Port Authority seemed to look upon it as an entrepreneurial attitude, a possessive thing, as opposed to being in the public realm or public information available. You kind of shouldn't have to beg for it. But, I think this is true--and you certainly know more about it than I do--I think this is true of most agencies like that, most authorities after a while when they are in operation and they have their own setup, so to speak, their own bureaucracy, they tend to become possessive of those things which are assigned to them and I think they tend to feel that they do them better than anyone else and obviously, nobody else can challenge them because they are the appointed authority and as long as the Governor doesn't veto the minutes why question what they are doing. As you said, they have five year plans. I'm sure they have ten and twenty year plans. But, we don't share those. It is very frustrating to me.

DR. DOIG: I think, Senator, you are right in identifying that as a characteristic of large complex agencies in general and of the Port Authority, more specifically. There are probably some occasions and it may be appropriate, if they want to respond to such a request, for them to say that there are some occasions or some aspects of their financial situation which ought not to be made public. Possibly, they could be made public through a three person committee, but some of them involve, in fact, advantages that may accrue not only to the Authority, but also to the State. The renegotiations of the LaGuardia leases, for example, probably even if they could conjecture on the likelihood of that negotiation ought not to be put into a publicly identified document. I sympathize with the Port Authority's concern there.

SENATOR GAGLIANO: I do too.

DR. DOIG: And their resistance and wariness of about the problems of releasing their negotiations. Here is an area where I think you and the Port Authority have some basis for reasonable disagreement here. But, as long as I can state to you specifically why it is that it shouldn't go out publicly for international bids, then you have the information available. I think, except in those identified cases, the appropriate thing to do was to make the five and ten year projections available and begin to tie program development directly to those projections.

SENATOR GAGLIANO: Do you understand what we were talking about before with respect to industrial development? My personal reaction is that someplace down the road, six months to a year, they are going to drop a plan on the Governor's desk and say, "Governor, this is it." Maybe the Governor will have known through one of his agencies. But, I think, across the board, in terms of numbers of people who would be interested in New Jersey, very few people will know what they are doing--that's my reaction--until they drop it on the table and say, "This is it," and by then they already have millions of dollars, probably invested in plans and engineering and the whole thing.

SENATOR HERBERT: You know, over the summer, I read a book called "The Power Broker" about Robert Moses and I sort of made a vow to myself that I never wanted that to happen again. Robert Moses ran the Triboro Bridge and Tunnel Authority like a medieval baron. There was no accountability whatsoever and I always felt, in my experiences with the Port Authority, reading about them, that we could very easily have the same kind of situation with the Port Authority and I really don't want that to ever occur again.

DR. DOIG: Well, I think that is a danger of any such organization. I would say, in its day, in the 1950's and the early 1960's, the Newark Housing

Authority shared many of those same characteristics, that is, many of the same characteristics as the Moses empire, which not only included the Triboro. It also included the State Power Authority and a range of others.

SENATOR HERBERT: It came under a great big umbrella of interlocking interests, most transportation and bridges and the laying down of concrete, as I said in my opening statement.

DR. DOIG: Yes. I think that's right. With regard to Senator Gagliano's comment before regarding industrial parks, diverting a bit from the question of control over funds is an appropriate area for the Legislature and the Governor. It does seem to me that in the industrial park area, where the plans are the Port Authority hoax coming close to the position where something can publicly be said. The difficulty ties in with a set of concerns which you commented upon earlier and that is the problem of inter-state parochialism or, perhaps, understandable desire that each state gets its appropriate share. Of course, with regard to industrial parks, since they are located in a particular city or site, there is, again, the inter-community conflict or uncertainty and there are also the neighborhood groups who may or may not object to a particular industrial park plan. All of those hurdles have been part of the Port Authority's negotiating problems and I think all of you are probably well aware of the six sites that are identified and which were made public about two years ago. How many of those sites they can go forward with, with regard to what kind of tax constraints, with regard to what kind of opposition they are going to get, is a matter that the Port Authority is deeply concerned with. Of course, if they started releasing that information incrementally, so it doesn't look like a finished looked up plan, the chances of the individual opponents coming after them are much greater. Whether, from the point of view of the states, that a better approach or not, I'm not sure. It does seem to me that it is one of those matters on which those of you on the committee would reasonably want to counsel with Neil Montanas, who directs the industrial development program because it may well be that you would conclude, on balance, it is better to come up with a finished set of projects. But, they ought to do it with some interim consultation with, at least, a small group of legislators who can, therefore, represent the legislative set of concerns on this kind of program. So, I think there is something short of complete, open distribution of the materials in each stage in negotiations, but it is far better than simply putting the package before you to vote favorably on.

With regard to controls over funds, to come back to that for a moment, it does seem to me that there is an element of control over funds which may well have been, at least in my opinion, used somewhat inappropriately by the State of New Jersey or, to be more specific, by Governor Byrne. I have some real doubts that the strategy and the perspective taken by the Governor with regard to the PATH increase has been reached appropriately. I am not, myself, an advocate of raising tolls to the point where you drive people off the rails and onto the highways. However, it does seem to me that the Port Authority's financial projections, which I think are fairly stated there, the uncertainty about that future is due, in fact, to the continual erosion of revenues or the continued increase in deficits on PATH and, in this area, it is a more effective and, perhaps, in some ways, a more courageous act might be to tie the raising of those tolls, perhaps, up to 50¢, where they would be equivalent to New York, to some understandable or identifiable way of using those increased funds for a range of transportation or other economic development related activity. I think the easiest political action, in a sense, to take is to

threaten to veto those minutes. There are probably other more sophisticated and more complex actions that could be taken since the Governor does now have that extraordinary leverage with regard to whether or not the PATH fare can be increased. That's over-control of funds. That's the overview and also what might be considered the more narrow set of concerns, when the Governor threatens to veto the minutes providing a particular revenue source.

The fourth area of identified accountability, that is in addition to statutes, selection of people, and money, has to do with methods of continued oversight and communication. If we look particularly at public authorities, not only the Port Authority, but other public authorities as well, we find that one approach to that would be the use of gubernatorial staff and, perhaps, relevant department heads to help provide that kind of continual oversight. For the Port Authority, this would mean, of course, a member of the Governor's staff, who sometimes is so designated to monitor what the Port Authority is bringing forward. It might also mean an active role by cabinet members such as, in this case, the Commissioner of Transportation. It might also involve a closer relationship, on a formal basis, to those economic development agencies, such as the New Jersey Economic Development Authority, where there are clear inter-relationships, but where that inter-relationship is now a matter of negotiation, sometimes at a lower level rather than in terms of overall policy review. I suppose, therefore, if I were the Governor, I would consider having a staff member and two or three heads of the other appropriate agencies, such as the New Jersey Department of Transportation and the EDA, who were involved in a regular set of meetings and understandings of how the different activities of those programs and projects inter-relate.

A second approach to continual oversight is, of course, that of the Legislature. The approach used with regard to the Port Authority's activities, I think, in both states, historically, for 25 or 30 years, has been several different committees often operating without much cooperation or communication among them. There is, I think, a separate Senate committee concerned with economic development issues, for example, that EDA reports to. Yet, you are considering, as a committee, a set of activities which might move some of the Port Authority's responsibilities over into the jurisdiction of another committee. That other committee, probably, should at an early date, be brought into consultation so that you can think together about those range of different activities that go beyond transportation itself. It may well be that with gradual Port Authority and other authorities that relate to economic development and to transportation that a unified committee or a joint committee across the Assembly and the Senate would be a desirable matter and that did occur in the late 1960's. There was some effort to establish continual joint ties with the committee operating out of Albany and that would be desirable in this regard and, in this, I think I agree with Annmarie Walsh.

A third method of continual oversight, in addition to the gubernatorial staff and the legislative, has to do with the local communities. In the 1950's and early 1960's, the Port Authority announced and, in fact, began to establish community advisory boards that would make an effort to provide direct ties to places like Jersey City and Newark and New York City and a range of other smaller communities in which there were Port Authority facilities. As soon as you begin to develop community advisory committees, of course, you have to provide more information to the members of the community. That turns out to take time and energy and it also gives those community members the basis, the expertise on which they can challenge

what the Port Authority is doing. Therefore, inevitably, those committees went into disuse. It may well be appropriate--

SENATOR GAGLIANO: Don't they also go into disuse once the agency who has suggested them gets what they needed to get, what they set out to get in the first place and then you have disuse?

DR. DOIG: That's right. As soon as the agency takes the initiative as to what it wants, then there is no need for the committee. The 1960's effort, though, was somewhat detached from that. It suggested instead that the Port Authority, operating as it does in dozens of communities, ought to have closer community liason. So, in that sense, it was detached from something that the Port Authority could say, "We want this from the community," and it had a broader purpose. That broader purpose of communication, of treating the Port Authority in terms of its more specific impact on communities, still exists. All we need now is some motivation to revive that set of activities. It may well be that your committee is an appropriate way to proceed. It may also be that a retail advisory board, either independently or perhaps tied to the Tri-State Regional Planning Commission, should be considered. I thought, possibly, Annmarie Walsh, who serves as the Executive Director of the committee to review the Tri-State Regional Planning Commission, might want to refer to that. But, in any event, it does seem to me that some effort to tie the local communities within the region in a way that doesn't require that action go back to Trenton and back to Albany is desirable. Trenton isn't so far back to go. Of course all of you are part of the region on which the Port Authority has an impact. If you think of your counterpart committee in Albany, there is much less of that kind of feeling of being a necessary part of the region in which the Port Authority operates. In fact, in some areas, the basic way in which decisions were made, in terms of state legislative action in Albany on the Port Authority, was to consult the one or two most influential Republicans who lived in Manhattan and that was the representative voice for the State Legislature of New York in Albany when a decision was being made on going forward with a World Trade Center or on the purchasing of the airport. New Jersey is not, itself, so limited because of the range of the four districts and the number of different legislative jurisdictions. But, it does seem to me that there is much to be said for local communities and for thinking about a way in which the region can be represented and articulated, something other than simply going back to separate state legislatures.

That has to do, as far as I can see it, with the major set of levers available to you to increase or reduce accountability. Let me now say something more briefly about what the Port Authority's duties should be. Here, it seems to me, there are five different criteria that ought to be considered and, as you think about these, if you like some of the criteria, then that moves you in a different direction regarding, for example, whether the Port Authority should be carved up in the way that the proposal in your committee's September report suggests or whether there should be other ways of altering or modifying the Port Authority's behavior.

SENATOR HERBERT: There again, may I say, we used as a model the breakup of the Tri-Boro Bridge and Tunnel Authority and its assumption by the MTA.

DR. DOIG: Yes. I think that's a good parallel.

SENATOR HERBERT: And the answer that we gave to some of the critics of this report, when we talked about the bonding problem, was that they did it over there with the cooperation, of course, of the banks. Yet, they did it. This is not to say that the MTA is doing a great job. We have a real problem there and that is the first thing that is thrown at us anytime we talk about both states

taking over some of these operations.

DR. DOIG: Right. It was a particular event, too, of course, that happened to be the governor's bank.

SENATOR HERBERT: Right, Chase Manhattan, which also financed the World Trade Center.

SENATOR GAGLIANO: My brother-in-law is the President-elect at age 42 of Chase Manhattan Bank.

SENATOR HERBERT: Wonderful.

DR. DOIG: Let me identify these five criteria and indicate very briefly what the implications would be in terms of the Port Authority and in terms of your report. One possibility would be to attempt to maximize the accountability of the Port Authority or its successor agency to elected officials. If you wanted to maximize accountability in that sense, probably the best way to do it, to elected officials, would be to put as much of the Port Authority's functions as possible under the individual states because the individual states, in so far as they can control the airports, the seaports, industrial development, have a line of traditional responsibility that clearly runs through one governor, through one state legislature and, therefore, you reduce the extent of which the Port Authority or negotiations across the two states turn out to make elusive just, in fact, who is in charge and they provide the freedom that the Port Authority has often used to make sure that it, itself, is in charge. So, if you can move as much as possible across to the two states, leaving only a residual for bi-state action, that provides you with a narrower set of duties and discretion, and I think that is an important element, in my mind, and a central element in your committee's report of September, maximizing accountability through elected officials through the redivision so that most activities are under states, under individual states, and, therefore, can be handled with a set of normally activated, single state monitoring devices.

A second one would be to minimize conflict and duplication within state agencies, that is, to do, as your report suggests, only what the states cannot do by themselves. That, again, suggests staying away from industrial parks because, after all, in New York, there is an Industrial and Urban Development Corporation. In New Jersey there is the Economic Development Corporation. Possibly, marine terminals could go the same way in terms of the problems of avoiding conflict and duplication.

Those are two important, possible goals. A third one--and I'm now going to three others that will point in the opposite direction, I'm afraid, rather than giving a consistent set that will all go together--a third one would be--

SENATOR HERBERT: I should cut you off while you are agreeing with us.

DR. DOIG: That's right. If we take only the first two, to maximize accountability and to minimize conflict and duplication of state agencies, then I think that HRTA is the way to go. If I may continue, however, a third possible goal would be to maximize the coordination of services across the region. Now, there, it seems to me, the burden goes to--and I wish that Chairman Sagner's comments had gone to this--for which of these activities that the Port Authority engages in is there truly the need for regional action because of necessary coordination? I actually thought he would say something in some detail about the technical problems, for example, of running the airports. One of them is run by the State of New Jersey and two of them are run by the State of New York. He didn't do so. I guess I would say that airports are probably pretty high on my list of activities not on the Port Authority on which separate state agencies to run those activities might raise more

difficulties than it would advantages. The air space problem, the allocation of planes to different airports, especially when they are crowded and so forth, might, in fact, raise a real problem in terms of this goal, trying to maximize coordination of services across the region.

The second one is probably even more defensible as an appropriate role for a regional agency, as opposed to separate state agencies, would be the enhancement and development of port commerce. There is a sense of which for the firm or set of organized activities in a place like Germany or Holland or Britain to think about whether to bring their commerce through the port area here, which we might properly call the port of New York and New Jersey, although it seems to be called the Port of New York, to come through this area, is a locational decision of a broad kind and, therefore, there might be much to be said for saying that we can provide these services and these opportunities in the entire port region. To have Port Elizabeth and Port Newark, extraordinary, leading commercial efforts in terms of the containerization of the world, lobbying separately from Red Hook terminal, a smaller, now-being-developed container port, and Great Bulk Port in Brooklyn, and to have both of them trying to figure out what they're going to say about the advantages of the downtown freight forwarding efficiency, which is largely concentrated in Manhattan, it seems to me that there are going to be more problems in articulating separate bi-state efforts and, therefore, it seems to me that a separate agency, probably in port commerce, as well as airports, is desirable. Marine terminals, themselves, it seems to me are less certain. You could argue for the marine terminals, meaning the actual facilities, themselves, being separated as long as it is understood that the international activity or advertising for them is done by an overall agency.

In the area of industrial development, it seems to me that coordination of services across the region will cause an argument to be made for it. The argument is almost equally strong in terms of thinking of each state, acting on its own in order to chase its own economic development. Of course, that's what we've done traditionally. New York has moved and New Jersey have moved in their own ways, often in competition with each other. When the New York Stock Exchange looked as though it might be willing to move someplace else, the State of New Jersey, the State of Connecticut offered or bid for that facility. That's the kind of competition which some people would say is healthy competition. So, with regard to maximizing coordination of services across the region, it may well be that port commerce and airports are two areas in which the Port Authority, if it considered the matter in detail, resist the carving up. But, on the others, I think it would have more difficulty doing so.

Another possible goal would be to maximize regional economic growth. This is a little different, I think, though I won't take much time at the moment to identify that difference, but, in fact, much of the Port Authority's activities in such areas as the development of air freight at the three air terminals and the development of appropriate marine facilities in the several different locations, like Port Elizabeth, Port Newark, in this region are part of an effort to compete vigorously and effectively against places like Baltimore's port or against the Hampton Roads port. For example, just within the last month, the Port Authority has begun to argue nationally for action toward making the New York port an area for appropriate coal exports and those coal exports would come up from Pennsylvania and then be shipped out here. That would be significant in terms of our ability to generate

this whole economic vitality in the region. Much of that coal now flows out of Hampton Roads, Virginia. But, you need an agency to do that and the question is whether or not there is a real advantage in terms of the inter-relationship between air freight matters, marine terminals, or the sea freight matters and the whole set of infra-structure issues, that is, we have the freight terminals here, we have a vital downtown region--or two of them--in New York City and Newark and a third, perhaps, in Jersey City. In these ways, you think about attracting more commerce and more activity. This fourth goal, then, to maximize regional economic growth, is harder. It does not provide as clear a way of carving up or hiding out from certain political activities.

The fifth possible goal would be to attract a staff interested in innovation and in bigger entrepreneurial development. Here, I can speak with some direct knowledge because we have students at the Woodrow Wilson School, which trains people to go into public affairs, largely. We know that there, and I think it is also true at the Kennedy School and other public policy schools across the country, that there is a real attraction to those agencies that are multi-functional in scope, where one may be to go to an area where there is something, new and innovative going on. The Port Authority has that advantage and when it announced its industrial development program, that enhances attraction in that way.

You mentioned Tri-Boro before. When Tri-Boro moved from being an arm of the Robert Moses entrepreneurial empire building activity to one which simply collected the tolls and repaved the roads occasionally on the bridges and tunnels that Tri-Boro controls, its attraction to those people interested in innovation and vigorous development was much less. There is, therefore, a real, sort of general, analytic advantage in having a multi-purpose agency. You can say, of course, that in New Jersey we can create our own multi-purpose agency, one that deals with a range of economic development and transportation activities. We look at the New Jersey Economic Development Authority and we can see some of the attractions of that agency lying in this way.

But, the second element of this goal of attracting and maintaining staff interested in innovation and entrepreneurship is that the Port Authority is already there. It has a proven record of ability to attract people. The fact that its top staff is made up of those people with those interests and concerns--at least many of them are of that kind--means that it can attract younger people in, newer people coming from other areas and, as a result, the agency, in being, has an advantage over the creation of others. As I suggested a few minutes ago, the attraction can be particularly seen in that kind of tradition that the Port Authority has developed when you compare it with other agencies that might have developed that tradition, but haven't. That is, there are, in fact, public authorities around the country, just as there is a Department of Ports and Terminals in New York City, which have turned out to be a haven for patronage, rather than an organization to build and develop a significant base for economic growth.

I think what that suggests, then, is that there is collection of five sets of possible goals you might try to achieve. Two of them point in one direction and three of them largely point in another and I guess my own tentative bottom line would be to prefer to keep the Port Authority in its current structural relationship, to look more closely at ways of providing better and more continual monitoring and a better look on the part of the Legislatures at the development of new programs,

such as industrial parks and at the financial calculations of prospects over a period of years and use that as a more significant basis for enhancing accountability rather than doing it by carving the Port Authority up into agencies with a variety of different functions.

SENATOR GAGLIANO: Doctor, if you were a legislator--and I'm not talking about the particulars of the bill--how do you think you would vote when a bill came before you on whether or not the Port Authority, in its present setup, would go into the industrial development area?

DR. DOIG: Do you mean, in 1977, how would I have voted?

SENATOR GAGLIANO: Again, I don't want to put--

DR. DOIG: Let me respond because that allows me to say something that I wanted to say anyway, although it is a sensitive point because one of my former students was the Executive Director for a while at the Economic Development Authority. Knowing what I did in 1977 and '78 about the Economic Development Authority, I would have felt concerned that that Authority was spreading itself too thin; that the activities that were being funded there including, for example, McDonald's in suburban municipalities and a range of others, looked as though they were more responsible for two things than to what the original mandate of the EDA was; responsive, first, to make sure there were some projects in every legislator's area and secondly, to be able to show that there was a continual flow of projects. So, they began to count the number of projects that were being funded. That wasn't really, at first, the original mandate or intention of the Legislature in establishing the Economic Development Authority. But, what it suggests is that the Economic Development Authority as a new agency, somewhat fragile and uncertain as to its future activities, was not able to select and choose strategically those economic development activities which it ought to fund and provide significant tax rebates or, you might say, public subsidies for. So, at that point, and certainly today, I would say the Port Authority has a potential for leading the way in identification of strategic, possible economic development activities which the New Jersey EDA does not have. So, in that sense, for that reason, I think I would have voted in favor of the Port Authority's activities in this area.

SENATOR GAGLIANO: Would you not have opted or considered the option of not getting into it at all on the state or Port Authority level?

DR. DOIG: You mean, is it justifiable to get into this field at all? Well, I guess my general feeling is that it would be desirable to have national legislation that, at some form, would forbid the interstate, as well as intercommunity, competition based on erosion of taxes because I think that is a crucial element. But, that is, after all, a competition between Kentucky and New Jersey and New York and it is very hard, if you are in the State Legislature or simply if you are a citizen of the region, to say, "Let's not compete. We'll let them go to Kentucky or to Georgia where they're going to get the tax subsidies." With the feeling that you can't get national legislation to stop it altogether, I guess I would rather have it done strategically and carefully and I would be concerned about an agency, which, being new might also be more susceptible to the overuse of the tax underwriting.

SENATOR GAGLIANO: With reference to the coal forwarders, one of the reasons that the Port Authority can talk about getting into this area is because of the failure, isn't it, of the Hampton Roads section of whoever is in charge there developing sufficient piers and dockage for the ships to come in and also for the railroads to transport the coal to that location?

DR. DOIG: I think that's true, although from some parts of Pennsylvania, the trip may actually be shorter to the New Jersey piers.

SENATOR GAGLIANO: I'm sure it is. But also, I'm somewhat familiar that there has been an ongoing complaint from the coal forwarders that, I guess, the people who dig the coal and everybody else, that they just don't have the facilities, docking pier facilities, to accomodate the coal. Now, what happened down there? Is that private enterprise? I don't know who runs it. In other words, who is not developing the port down there?

DR. DOIG: I don't know the Hampton Roads situation closely, but I think it is partly governmental and partly private. It does illustrate in terms of New York's opportunity the port commerce development element because the crucial missing link in New York's ability to compete for that coal is digging the Ambrose channel deeper and one can't do that if you have this argument about environmental certainty and the PCB's at the bottom of the dredged area. So, you need an organization, in this case the Port Authority, with a technical staff to look carefully of whether there is really a danger of dredging out materials that may be harmful, environmentally and also, to go to Washington and negotiate with or lobby with the Secretary of Transportation.

SENATOR GAGLIANO: Okay, thank you.

SENATOR HERBERT: Any further questions? You have given us a great deal to think about, Doctor, and I just hope some meaningful and creative legislation comes out of not only your presentation, but the whole hearing today. Thank you so much for coming.

DR. DOIG: Could I just say one thing before I leave regarding the World Trade Center? I'm sorry that Senator Graves isn't here. I know that is a matter of grave interest to him. My impression--and of course, this isn't a considered opinion, looking at all the figures--is that when you take the desire to get taxes out of the World Trade Center and when you look at the increased capacity of downtown office space that will occur as Battery Park City grows, in fact, the middle term possibility for selling the World Trade Center is not very great. It would be fine if someone would come and buy it because it would take what was an undesirable project to begin with and now that it is built, it is an albatross around the neck of the Port Authority and the two states and I cannot imagine Prudential or some other group being willing to step in. So, I am not at all optimistic. I am more pessimistic than Peter Goldmark is on that likely sale within the next few years.

SENATOR HERBERT: Well, we don't like Prudential's interest in it because we would lose them in Newark.

SENATOR GAGLIANO: They're just starting to grow. Don't worry about it.

SENATOR HERBERT. I want to thank you for testifying today. We appreciate it.

DR. DOIG: Thank you for the opportunity to be here today.

SENATOR HERBERT: We are now going to take a five minute break for the reporters.

(At which time a five minute recess was taken)

SENATOR HERBERT: Ladies and gentlemen, as always happens in Trenton a five minute recess has become fifteen minutes and I think we ought to proceed. Our next witness is an old friend of the Committee. From the League of Women Voters, we have Elaine Marcus. Welcome Elaine.

E L A I N E M A R C U S, being duly sworn as a witness, according to law, testified as follows:

The League of Women Voters would like to take this opportunity to commend the State Transportation Committee for creating the opportunity for increased debate and discussion of pertinent issues facing the people of New Jersey. As a public interest group, we advocate an open planning process in political decision-making, a process that involves constructive interaction between government officials, elected representatives and the public.

SENATOR HERBERT: Excuse me just a minute, Miss Marcus. You are reading from a prepared statement and the stenographer would really find it a lot easier if you would provide him with a copy of it.

MS. MARCUS: I'm sorry, I thought I had given him one when I distributed them to the Committee.

SENATOR HERBERT: Okay, thank you. I'm sorry. Proceed.

MS. MARCUS: Your recently published report, "Responsibility and Responsiveness," raises some pertinent questions that must be addressed by New Jersey and the region. Your encouragement in widening the discussion surrounding these issues should help define some direction for future transit planning.

The report voices specific concerns and solutions in regard to two agencies, New Jersey Transit and the Port Authority of New York-New Jersey. These organizations, though differing widely in financial operation, present some common problems to the governments that created them and to the public sector they serve.

Both agencies grew out of problems that traditional governmental structures seemed unable to solve. New Jersey Transit was the direct result of the frustrations of ten years of a confusing, inadequate bus subsidy program plagued by lack of accountability and responsiveness.

The Port Authority grew out of a conflict involving trans-Hudson Transportation and it was hoped that the cration of a bi-state agency would ameliorate mutual problems facing the two states in transportation and port development. Both agencies were created in the hope that the public would be served more efficiently. This efficiency would be encouraged by granting an independence to these entities by allowing them to function more like private corporations, protected somewhat from changing political environments. The dilemma arises in trying to balance this desired independence with a recognition of their responsibility to the public.

In this context, we wish to address ourselves to the first section of your report: "A Responsive New Jersey Transit." The League studied the legislation creating New Jersey Transit and is fully aware of the latitude given the agency in regard to internal structure. We feel that this is proper, that flexibility in management decisions should be preserved. Although we agree with your suggestions that duplicative bureaucracy should be eliminated and that a specific internal structure should be established which clearly defines responsibilities within the organization, we question the need to legislate these goals since the agency is still not yet fully staffed or completely organized.

SENATOR GAGLIANO: How long should they take to become organized?

MS. MARCUS: Well, I think that is a matter for your Committee to decide. Maybe that is something you should look into.

We would also question the advisability of New Jersey Transit operating rail passenger lines in the State, given the organizational problems they face at this time. Perhaps in the future this may indeed become a viable option.

However, we do have some other concerns regarding New Jersey Transit. In a League transportation study completed in 1979, members expressed support for an effective New Jersey Transit, a corporation that would provide a well-coordinated, safe and efficient public transit system for the people of New Jersey. Our members felt that essential to realizing this goal would be a planning process involving all levels of government, commuters, and interested public. We are therefore concerned that the Board of Directors has been functioning since September without three public members. We are concerned that a year had passed before the Advisory Committees were established, though they were mandated by law. In addition, the recent controversy concerning how the State would finance the purchase of T.N.J., crucial to the future of New Jersey Transit, causes us to wonder about the planning process.

It is not that we object to raising certain questions concerning financing, nor the discussion of other alternatives, but rather when those objections surfaced. From our perspective, we wonder why these legislative objections were not known prior to completing the finalized plans.

SENATOR GAGLIANO: They were.

MS. MARCUS: But, to the public perception of this, the press had reported that the Port Authority money would be used.

SENATOR GAGLIANO: No, no. So that you understand, when Senator Herbert and I, and the other people in the Legislature, voted for the process, the Port Authority money was not involved at all with respect to the acquisition of TNJ.

MS. MARCUS: When you voted?

SENATOR GAGLIANO: When we voted to authorize the creation--

MS. MARCUS: (interrupting) Oh, I realize that.

SENATOR GAGLIANO: (continuing) --of NJ Transit.

MS. MARCUS: I realize that. What we are referring to, if you will let me finish, is the fact that the final plan, the financing, should have reflected mutually acceptable solutions to both you and to New Jersey Transit and to the State DOT. We cannot emphasize enough that an open planning process, which includes all affected parties, would, in the long run, save time and effort. If I remember the original legislation and even the DOT budget that was committed to the Legislature, there was no provision for funding at that time, and that was the open question. What we are saying is that that being the case, then certainly your legislative concerns using a particular course of financing should have been initially alluded to and understood by New Jersey Transit and the State DOT.

MR. CAPALBO: Actually, at the time it was suggested that it would cost up to \$25 million to purchase TNJ.

MS. MARCUS: Right.

MR. CAPALBO: And it had been said that it would be 80% federally funded.

MS. MARCUS: Neither the public nor the Legislature, I think, really understood what the final price would be nor where the money would come from.

SENATOR HERBERT: Well, I think the problem also was that the Department of Transportation didn't understand the depth involved in that pension plan. We could have received title to TNJ for nothing. We could have, but it would have meant taking over, to the detriment of our taxpayers, that pension program. So, during negotiations, the New Jersey Department of Transportation and NJT constantly reiterated that they did not want to take over the pension plan. When PSE&G finally agreed to fund the pension plan, then we had to move to a final price, which was about \$45 million, or so.

SENATOR GAGLIANO: I think we are all saying the same thing.

SENATOR HERBERT: We are saying the same thing. We were shocked when we learned they were using the money.

MS. MARCUS: Well, that is the thing we are saying. In other words, we don't think that is good government. We cannot emphasize enough that an open planning process which includes all affected parties - and we would certainly include the State Legislature as an affected party - would, in the long run, save time and effort. If such a process were in place, then New Jersey Transit would not have spent over six months negotiating a purchase involving plans for financing that were not acceptable to this legislative committee. In the interest of improved communication, we respectfully suggest that perhaps this committee could establish a coordination mechanism with New Jersey Transit that is more meaningful than the annual report that is now required in the legislation. Periodic meetings or briefings could be structured which would be beneficial to all. We feel that it is only through greater effort in improving communication and an opening of the planning process that the priorities of the people in New Jersey can be established in regard to transportation.

It is precisely this question of priorities that is troublesome in regard to the Port Authority. Your report asks: "What should be the role and function of the Port Authority?" Indeed, the question has been debated for many years, as evidenced by the following quote from the New York Times: "To a large part the debate is over the proper function of a profit-making quasi-governmental organization - an agency that wears one hat as a public agency, another as a sort of private business - in determining how the profits earned in a public service monopoly should be spent. It is a debate over priorities."

And, how are these priorities to be determined? How does the Port Authority view its role in the region? This sub-committee would like to see the Authority become a trans-Hudson transportation agency. This major structuring raises the question as to how much responsibility the respective states are willing to assume, and even more important, what are the respective capabilities in regard to carrying out these increased responsibilities successfully?

The debate cannot be resolved today. However, we would like to suggest that the Port Authority become more sensitive to public concerns and to broaden its attempt to interact with state legislatures and the public. In this regard, we would like to refer the Committee to a report done for the New Jersey Legislature by the Office of Fiscal Affairs in 1976, called "Justification for Increased Tolls." The report contains the following recommendations:

1. Statutory proposals should contain fiscal notes, future financial projections and other analytical data in support of such proposals.

I think almost all of these recommendations have been suggested here today by one or another speaker.

2. Establishment of a permanent sub-committee to provide greater legislative oversight with appropriate staff available for analysis of reports and other financial data.

3. Budgetary interim financial data should be requested.

These recommendations seem as pertinent today as they did in 1976.

The effective functioning of these two agencies, New Jersey Transit and the Port Authority, is absolutely essential to the well being of both the people of New Jersey and this metropolitan region as a whole. I think we would all agree that the region faces serious problems. We have lost jobs and population. Since the early fifties, there has been talk of revitalizing our transit facilities. However, little progress has been made. Yet, our future may well depend on how we are able to move people and goods in the region. Certainly, a review of Federal funding policies would seem pertinent at this time. Every effort should be made to aid the region's economy and this requires upgrading our transit facilities. Future energy costs and shortages further underscore this need.

It is imperative that we get our act together. We must begin to cooperate and communicate in order to develop regional priorities. Capital investment by the public and private sector should be coordinated. Public confidence in government and its agencies must be regained.

Perhaps by establishing a more responsive planning process, mutual respect and cooperation can be achieved. The future of the region depends on it.

SENATOR HERBERT: Thank you.

MS. MARCUS: Are there any questions?

SENATOR HERBERT: Yes. On page three of your statement where you say the Committee could establish a coordination mechanism with the New Jersey Transit that is more meaningful than the annual report, that was the whole *raison d'etre* of this Committee.

MS. MARCUS: Right.

SENATOR HERBERT: That is why this Committee was formed. We felt that the creation of the New Jersey Transit Corporation was a great step forward, but at the same time we did not want that agency to become what better agencies in the State have become, a self-perpetuating bureaucracy without any oversight by the Legislature. So far, very frankly, I think we have done one heck of a good job.

MS. MARCUS: I know. You are to be congratulated.

I guess the point I want to make is that is that, for instance, your objection to the Port Authority funding should have been worked out in a sense prior to -- the hearing that I attended was in September and the finalized contract, or negotiations were supposed to be completed as of October.

SENATOR HERBERT: You know, part of the problem was PSE&G, the parent company of New Jersey Transit. They danced around the issue quite a long time. In fact, I have a bill in which was supported by the Committee, and we were ready to release it, cutting off any subsidies to TNJ. If they kept on the course of what we felt was dragging their feet-- I really felt that New Jersey Transit, through its negotiator, Mr. Lowenstein, was trying to achieve the best package for the taxpayers.

SENATOR GAGLIANO: That's not quite what she said. I think that you are saying a long time before that a determination should have been made as to how this was going to be funded, regardless of what the number was.

SENATOR HERBERT: I already agreed with that. Absolutely. There should have been something in the budget as a backup to the negotiating process.

MS. MARCUS: Or some kind of communication.

SENATOR HERBERT: That is why when they went to the Port Authority with the money we were furious and we said to both Commissioner Gambaccini and Mr. Premo, "Why didn't you come to us? We might have found the money for you. Instead, you ran off to the Port Authority with your hat in your hand and you negotiated with people who want title to our buses."

MS. MARCUS: Right. We understand that. We monitored, by the way, N.J. Transit and the Senate Committee, and my testimony is purely from a public point of view, in other words, how the public perceives how things happen. One minute we are buying buses for TRANSPAC and the next minute TRANSPAC is no longer. One minute we are purchasing TNJ with Port Authority money and then six weeks later that whole plan is just thrown out.

SENATOR GAGLIANO: How do you think we feel?

MS. MARCUS: It is frustrating on the part of the public too.

SENATOR GAGLIANO: We were never consulted on any of those things -- every one of those things you are talking about. Now, I am asking the same question, essentially, of you: What about this business of getting into industrial development? We are not being kept up to date on what is happening. I don't care what anybody says, this Committee, which I think has something to do with it, is not kept up to date with respect to industrial development. Sometime, six months or a year from now, we are going to be given a package if they need legislation, and they are going to say: "Okay, we need this legislation; we need it tomorrow because we have so-and-so under contract," and everything else. That is what is going to happen, and yet your last line here is: "perhaps by establishing a more responsive planning process we can do better."

MS. MARCUS: That's right.

SENATOR GAGLIANO: We agree with you one hundred percent. Would you write a letter to Alan Sagner and tell him that unfortunately he had to leave early and you made this statement and I followed up with my statement, just as I did with the Professor and with other witnesses? We are heading right down the same path.

MS. MARCUS: Right.

SENATOR GAGLIANO: And, I am telling the Business Agent or the lobbyist for the Port Authority: "We are heading down the same path with industrial development, and you are going to tell us all about it when it is all done."

MS. MARCUS: We feel very strongly that that is not the right road to take.

SENATOR GAGLIANO: If you think people feel poorly about government, wait until they find out about this next one. These things hit like bombs. They don't care. They are up in their ivory towers in the opulent headquarters and they will come out with these things after they have all been done, and I am against it.

MS. MARCUS: Theoretically, you should have input into that decision-making prior to a finalized plan.

SENATOR GAGLIANO: One time they didn't give us input on something because in essence they didn't trust us. They knew we were politicians and we would go right to the local newspapers and put out a press release. I

I forget what that was about. Oh, it had to do with the negotiations for TNJ. In essence, without saying it publicly, New Jersey Transit did not want to tell us the details of the transaction because they knew we would go to the newspapers.

SENATOR HERBERT: That is a problem. Ms. Marcus, do you monitor the meetings of the Port Authority?

MS. MARCUS: No, we don't.

SENATOR HERBERT: I would suggest you do so because, first of all you will see a meeting room that boggles the mind. It is unbelievable. I think this is beautiful here. Wait until you go over and see their meeting room over there. It is absolutely incredible. It is beautiful.

SENATOR GAGLIANO: It really is beautiful, there is no question about it.

MS. MARCUS: Well, what we would like to see is more planning in the region, if that can be accomplished, with the cooperation of the two state's legislators.

We agree with everything that has been said here today, and there has been a general thrust in all the remarks, I think, and that is there should be more legislative oversight, or involvement, and greater cooperation and planning.

SENATOR HERBERT: Do you know where we want to get to? We want to get to the point where the commissioners of the Port Authority say, "Holy mackerel, we had better call the Senate Transportation Committee, otherwise Gagliano, Graves, and Herbert are going to be off the wall." We want to reach that point, where Greta can come down and say: "We want to keep a liaison with you fellows."

MS. MARCUS: Well, we feel that--

SENATOR HERBERT: (interrupting) I think we are achieving that.

MS. MARCUS: Yes, I think you are. I think you have done an outstanding job by bringing these issues to the forefront and allowing them to be discussed in the public sector.

SENATOR HERBERT: Thank you.

SENATOR GAGLIANO: Oh, I have a question. Do you monitor the Tri State Planning - whatever it is?

MS. MARCUS: Yes, I myself sit on the Tri State Citizens Advisory Panel.

SENATOR GAGLIANO: You do?

MS. MARCUS: Yes.

SENATOR GAGLIANO: So you go to all their meetings?

MS. MARCUS: Well, I don't go to all the Commission meetings, but I do attend--

SENATOR GAGLIANO: We have never had any input from them either. I don't think we have invited them either, but I often wonder what they do.

MS. MARCUS: That's true. As a matter of fact--

SENATOR GAGLIANO: I know I'm elected, and I made it by about 6,000 votes the last time, and I hope to run again, but I can't nail down the authority there that is so important for their existence. The other thing is, we meet maybe 20 or 25 times a year, and it would be great if we had a representative of Tri State come into us and say: "We are really concerned about transportation in New Jersey and in the entire area and we would like to sit down and talk to you about what we are talking about."

MS. MARCUS: Well, we feel very strongly that all of these individual planning agencies, in a sense, should be communicating with each other. That is why the region really hasn't moved forward, because they are all isolated

in a sense. Very little has been done in establishing a kind of formalized - or informal - bridge to each other.

The Tri State League of Women Voters has just completed a study where they support one regional planning agency, because they support regional planning. But, Tri State certainly should be involved with the Port Authority, as they should both be involved with the two state legislators and all four of them should be involved with the public.

SENATOR GAGLIANO: We are going on three years together, Frank and me, and we haven't seen that yet.

MS. MARCUS: Yet, your Commissioner of Transportation was a Director of the Commission last year.

SENATOR HERBERT: Well, to a certain extent anyone can say it is our fault because the meetings are open, but you know as well as anybody the kind of schedule we have, not only down in Trenton but in our own personal lives. Senator Gagliano has his law practice and I have my students. That is really where our main concerns are.

Thank you so much for coming. It is good to see you again.

MS. MARCUS: Thank you.

SENATOR HERBERT: Our last witness today is Dr. Abraham Stein of Hofstra University. Welcome, Dr. Stein. Thank you for being so patient. You have been here for a good part of the day.

D R. A B R A H A M S T E I N: The secret of my patience is that I have been learning all day.

SENATOR HERBERT: So have we.

DR. STEIN: I have found it very interesting. The clock went very fast.

First let me introduce myself. I am Abraham Stein. I live in the Bronx. My mother lives in Englewood. I spent seven years, from 1973 to 1980, teaching at Montclair State College, and six years before that at Pace. I went into the Professor business when I was fifty, in 1967. You may have seen a little background news release I used some time ago to give you an idea of my education.

The topic that I will address is to secure a prospective on the Port Authority itself, on the Port district, and on the comprehensive plan. First, before I begin my two pages of notes - it won't be very long - I want to address two questions that Senators Herbert and Gagliano presented, and those two questions really come to the heart of the issue, as I see it.

Senator Herbert asked: "Isn't there too much parochialism"? Senator Gagliano asked - now, I should qualify this by saying that I am hard of hearing; I use a hearing aid; and I don't always hear accurately. Senator Gagliano has a soft voice and I had to raise my hearing aid volume, so I don't know whether I caught his question correctly, but I think it was: "Shouldn't there be something like a plan or a series of plans?" I'm assuming he means for the development of the region. But then he pointed out the style that the Port Authority followed of cooking up its plans in secret and unveiling them when nobody could do anything about them, with a big PR program.

SENATOR GAGLIANO: And a cocktail party.

DR. STEIN: Oh, well, that is a big part of a PR program.

SENATOR GAGLIANO: Yes.

SENATOR HERBERT: I think you fairly presented the way he put it.

DR. STEIN: I will refer to these questions, in closing, by showing that what little I have to suggest was already implied in their questions.

First, I don't know whether I mentioned that I just completed a dissertation on the World Trade Center and the Port Authority, and it was filed in February, 1980, and that I intend to continue my studies of the Port Authority, which began informally in 1944.

SENATOR HERBERT: Where is your dissertation filed?

DR. STEIN: You have it in your office.

SENATOR HERBERT: Okay, very good.

DR. STEIN: Can you make extra copies, or would you like two more copies? I brought copies of my material for the three Senators, and if you wish I could send copies.

MR. CAPALBO: I will reproduce it.

SENATOR HERBERT: We have those.

DR. STEIN: Okay.

The Port Authority has evolved through four separate phases, one of which died off, three of which continue side by side, and it seems to be, but we are not sure yet, that it is developing a new phase with a new administration. I hope to write an expanded version. Incidentally, Professor Doig has left, but his book on metropolitan-- What was the title - the one on transportation?

SENATOR GAGLIANO: "Metropolitan Transportation Politics and the New York Region."

DR. STEIN: You will find many references to it in my papers.

SENATOR HERBERT: Do you know him personally, Professor Stein?

DR. STEIN: I met him today.

SENATOR HERBERT: Good, so the Committee accomplished something, right?

DR. STEIN: We met, and he already has my dissertation, and he whispered a few nice things about it. Professor Walsh also has my dissertation.

The Port Authority is a very valuable instrument of the two states. That is fundamental, and it can do a lot of good when the states sold directly. The fundamental issue to which the New Jersey-New York Port and Harbor Development Commission addressed itself to was the economic and social development of an integrated urban region that both states shared.

They defined the port district. They created a Port Authority to administer the development of the Port district. They then said, agreeing with each other, in 1921, if the Port Authority comes up with some kind of comprehensive plan and if we feel that we want to adopt it as governmental policy, then we will adopt it in 1922 and we will have a viable instrument. If we don't agree on a comprehensive plan, there will be no Port Authority. So, the Port Authority came up with a skeleton comprehensive plan, the Railroad Plan. Every pair of state statutes since then has been predicated as part of the comprehensive plan. So, the comprehensive plan has evolved and the Port Authority has been administering the plan, but what do we mean by administering?

First, the Port Authority was supposed to make recommendations to the two states. Second, if the states accepted the recommendations, then these recommendations became part of a comprehensive plan. Third, to the extent that private enterprise could be involved in portions of the plan, the Port Authority was to urge them, guide them, and help them in doing this on their own. Additionally, if private enterprise couldn't undertake the plan for one reason or another, the Port Authority

was to invite joint ventures and join with private enterprise to execute one part of the plan or another. Third, if private enterprise did not see it as feasible to be involved in a particular facility, then the Port Authority was supposed to do it on its own. So, the concept of what the Port Authority would do as an instrumentality of the two states was a very flexible concept.

Now, I would like to submit for the record two items. One is what you have, and I have copies for the three Senators, and these items are a paper that I read in London in 1979 and the background news release that I issued more recently. That saves me a lot of discussion, it saves you a lot of listening, and I can go on. Incidentally, I don't know whether it was mentioned, but for a short time I was the consultant to Theodor Kiel, in 1969-1970 - just a few months - and we thought of the idea of raising the tolls on the bridges and tunnels, and he proposed it. I stayed in the background. But, I had suggested something that he missed, didn't mention, and that was that the addition to the tolls should not go directly into the Port Authority treasury, but that that addition should be collected by the Port Authority on a fiduciary basis for the two states, and I estimated at the time that the two states would gain \$50 million a year which would finance in those days, with those interest rates, a \$2 billion bond issue which could be used at the direction of the states. But, that disappeared and it was never mentioned anywhere. Then, of course, after that I found that I was paying the toll on the bridge.

Now, with that background and with one other point, in 1971 or 1972, I recommended to the City of New York a way for them to raise \$1 billion a year for transportation, and I gave it to the central government, Lindsey, I gave it to the Borough Presidents, to the Counsel, and Bob Abrahms, Borough of the Bronx where I live, picked it up and with my guidance learned what it was all about, and in the summer, when I was away, published an interesting brochure making that recommendation. Now I hear that the NTA says that if they had \$1 billion a year they could do a lot in transportation. My concept extends to \$2 billion a year, one for New York and one for New Jersey. I mentioned these billions with 'b's', not millions with 'm's', because of something I am about to point out, and that is that the region generates one-tenth of the gross national product of the United States.

SENATOR HERBERT: Would you define what you mean by the region?

DR. STEIN: It almost doesn't matter, but I will tell you. Sometimes we say the Tri State Metropolitan Region. Or, sometimes we say the New Jersey-New York Sector, and in either case the New Jersey-New York Sector is ninety to ninety-five percent of the region. So, the region generates a tremendous amount of gross national product, greater than many European countries that are able to finance very effective ground transport systems.

On that basis, you have a \$1500 billion dollar gross national product. One-tenth of that is \$150 billion dollars coming out of the New York-New Jersey region, and one-tenth of that would be \$15 billion, which might be as much as all of the governments, including the Federal government, could generate in taxes, if taxes were only one-tenth of the income. Now, the region generates one-tenth of the gross national product, and I suggest that New Jersey and New York should consider how they can best tap the human, physical, and financial resources so as to allocate a portion of the gross regional product to the development of the urban region and thereby automatically they will bill the economy and the

society of each of the two states, the entire states.

I am up to my finish. Was it in 1971 that we had this bi-state legislative hearing, one day in Manhattan and one day in Newark? I forget the year, but the first day in New York, the New York meeting, four people testified, Austin Tobin, the Comptroller of the State of New York, Levit, Theodore Kiel, and myself. So, I am used to being the last one on the agenda. I made a very interesting suggestion, which I have heard in other ways earlier today right here. I forget whether it was Dr. Walsh or Dr. Doig who made a similar suggestion. And, that suggestion is that the accountability process is a process of moving information from one entity to another, from, let's say, the Authority to the Legislature. A continuing study is the same process, the process of moving information. So, I suggest that the two state legislatures, separately or jointly, mount a continuing study, in depth, of the problems to shape what I call governmental policy. What the Port Authority does I call administrative policy. It is in the dissertation.

I also suggest that you test the Port Authority. Alan Sagner suggests that they have a policy of freedom of information as the states do. Test that freedom of information. Ask for a lot of information.

I am reminded of one thing that the Director of the Metropolitan Office of the Comptroller of the State of New York - that is Arthur Gorden - told me, "We do have the power of subpoena. We can get any information we want out of the Port Authority. We don't like to use it." And, I am certain that the State of New Jersey is as powerful as the State of New York in getting information.

Now, I have one paper that I mentioned to Dr. Capalbo, your staff director, that is in writing now, and it happens to be on the issue of the accountability of the Port Authority. As soon as I can, I will send you a copy of the paper, which raises some other issues, primarily issues that Dr. Doig suggested, and they are - incidentally, I have all kinds of documentation to support the paper - that the Port Authority has a number of constituencies and each of these constituencies should have all the necessary and proper information on how the Port Authority operates with respect to that constituency. Possibly the first constituency is the Legislature. Article VII of the 1921 Compact tells you all you need to know about how much information the Port Authority owes you, and that is all the information.

You are the first constituency. Even through the annual reports are addressed to the Governors, the Governors are the second constituency. Why do I say that? Because the Governor is the executive of the democratic instrument. Then we have a whole number of other constituencies. The original thought of the originators of the Port Authority concept was that they would address all the constituencies. You will find quite a bit of material on accountability, and much more to be gathered, but first you must decide to maintain what some people call surveillance. I, as a social scientist, would call it continuing study; it is the same thing.

SENATOR HERBERT: We call it oversight.

DR. STEIN: That's right, you call it oversight. And, there is a whole discipline developing on oversight, and you will find that if I get that book out. It will actually be formally addressed.

SENATOR HERBERT: We are still learning how to do it.

DR. STEIN: Right.

SENATOR GAGLIANO: We create the problem and then we try to figure out what we did.

DR. STEIN: That's a good way to start.

SENATOR HERBERT: Do you have any questions, Senator Gagliano?

SENATOR GAGLIANO: No.

SENATOR HERBERT: I just have one question. One of the former Port Authority Commissioners told me that the Comptroller of New York, Mr. Regan, has an office in the Port Authority building monitoring the Port Authority. did you know about this?

DR. STEIN: Well, I'm not surprised.

SENATOR HERBERT: How successful is it? We have been in contact with the Comptroller's office, but we haven't really sat down and talked with him.

DR. STEIN: Well, the Metropolitan office of the Comptroller, as far as I know, is not in the Port Authority; it is at 270 Broadway. They refused to move into the Port Authority.

SENATOR HERBERT: Okay, but there is some office.

DR. STEIN: Regan may have his own office. It would be in 2 World Trade Center.

SENATOR HERBERT: Right.

DR. STEIN: The big problem is funding. The Metropolitan office doesn't have the staff to do a sound audit.

Another point I will just add to this is, there are different kinds of accountants. There are CPA's, professional auditors, and there are scholars of accountancy, Ph.D's. The difference is between say an M.D., a doctor, and biologist, and the biologist will see things differently from M.D.'s. So, I, with my Doctorate in Accounting, see things differently from the way the Comptroller would see things. They still use the old fashioned, mono-dimensional type of accounting, where accounting has gone much further.

SENATOR HERBERT: I see. Senator Gagliano.

SENATOR GAGLIANO: Yes. I was intrigued with the idea that maybe we could take some of the revenues - give an increase, for example - and funnel that directly into projects which would be administered by someone else.

For example, if the toll increase was permitted, and a fare increase was permitted on Path, the two of these would generate approximately \$60 or \$70 million a year -- I forget how much -- let's just say that just half of that increase would then be divided between the two states. So, let's say each state would be entitled to \$15 million each. How could that be done without a violation of the various bond covenants that we hear so much about, when the Port Authority wants to protect itself from the weight on their treasury?

DR. STEIN: That's right. The Port Authority is fully entitled to protect itself from raids on the Treasury. Each state is fully entitled to seek its own sources of revenue. A state can impose a sales tax. If I have to pay \$1.00 round-trip on the George Washington Bridge, or \$2.00 -- I'm going back to what it was, I'm sorry. If I have to pay \$1.00 on the George Washington Bridge and the two states agree to collect a 50¢ sales tax on that dollar, then the agency that is collecting the \$1.00, which has already been committed to the bonds, is now requested by the states to, as a fiduciary, collect an additional 50¢. You cannot take back what they once had.

SENATOR GAGLIANO: So, they would really be a conduit for the collection

of a tax that the states would agree would be the tax, whatever it might be.

DR. STEIN: Incidentally, this is a cute little turn about to your discussion of whether or not they were taxing.

SENATOR GAGLIANO: Of course they are taxing.

DR. STEIN: If you do it, it is a tax, right?

SENATOR GAGLIANO: If we do it, it is a tax. If they do it, it is not a tax.

DR. STEIN: It is revenue for a service.

SENATOR GAGLIANO: Thank you very much.

SENATOR HERBERT: Thank you for coming. We are going to read your monograph and your thesis with great interest.

DR. STEIN: Thank you.

SENATOR HERBERT: Thank you for coming. If there are no further witnesses, that concludes this hearing.

SENATOR GAGLIANO: I think Greta Kiernan was going to be a witness.

SENATOR HERBERT: Oh, I beg your pardon.

MS. GERSTEN: I am not here as a witness. May I say something off the record?

SENATOR GAGLIANO: Sure.

SENATOR HERBERT: What is your name, please?

G L A D Y S G E R S T E N: I am Gladys Gersten, and in addition to being on Mrs. Marcus' Transportation Committee, I am also Vice President of the Tri State League of Women Voters, and we are organized on a tri state basis. I just wanted to inform you that the Tri State League does monitor most of not only Commission meetings but also Committee meetings, and I am frankly quite surprised that you have had poor attempts at contact because I know the first year he was Executive Director that Frank Johnson really made a concerted effort to go all around the region and talk to people.

SENATOR GAGLIANO: I'm sorry. I may have been out of line, but I don't remember meeting the gentleman and I don't remember being contacted with respect to a request they appear before our Committee. That may have been our fault. Actually, it may have come in through the Chairman, and the Chairman at the time - not Senator Herbert, but the prior Chairman for two years - really wasn't that interested. He may have gotten a contact and did not follow up on it. I don't know. I am just saying my recollection--

MS. GERSTEN: I'm not saying that there are no problems at Tri State; there are lots of problems, but I think Frank Johnson has been making an effort to try to communicate with the public.

SENATOR GAGLIANO: My recollection of all our Committee meetings is that we have not had a representative there from Tri State.

SENATOR HERBERT: Perhaps that is not really what they want to do; they don't want to reach out. We do receive their news letter.

MS. GERSTEN: I think, very frankly, that the staff members in transportation probably work with the DOT people.

SENATOR HERBERT: Right.

SENATOR GAGLIANO: Thank you.

SENATOR HERBERT: Is there anyone else? Thank you very much. The hearing is now concluded.

(hearing concluded)

REMARKS OF ALFRED L. FAIELLA
DEVELOPMENT ADMINISTRATOR
CITY OF NEWARK
MADE ON BEHALF OF MAYOR KENNETH A. GIBSON BEFORE THE
SENATE TRANSPORTATION COMMITTEE
DECEMBER 15, 1980

Gentlemen, the City of Newark would like to thank you for this opportunity of being able to present its views and opinions concerning the Port Authority of New York and New Jersey and where that Bi-State Agency might be most effectively directed in the future for the benefit of the region^{ion} and those municipalities both in New York and New Jersey which are so directly affected by it.

These remarks are being made on behalf of the City Administration of Newark since Mayor Gibson was not able to attend today and with his consent and agreement.

Newark has had and continues to enjoy a rather unique relationship with the Port Authority since within its municipal boundaries a majority of the physical facilities constructed and operated by the Port Authority in New Jersey are located. To understand that relationship one must put the magnitude of these facilities in perspective.

In 1947, the City of Newark agreed to lease to the Port of New York Authority its Marine Terminal and Airport which at that time carried an annual municipal assessment of \$26,295,500.00. The pertinent aspects of that lease were its effective date March 22, 1948, which initially called for a term of 50 years. The rental of that lease through the years 1948 to 1958 was an annual guaranteed minimum payment of \$100,000.00. Thereafter, \$128,000.00 per year. Pursuant to that lease, the Port Authority was required to expend a minimum of \$50 million within a seven year period for development of additional facilities. To be fair in this perspective, prior to the

initiation of that lease, the City had been losing \$2 million a year in the operations of the Airport and the Marine Terminal. That agreement, in addition to the existing Marine Terminal and Airport owned by the City of Newark, covered a land area that comprises approximately 14% of the City of Newark.

In 1966, under the administration of Mayor Hugh Addonizio, the lease was extended to the year 2016 and the annual minimal rentals was increased to \$1 million per year, for a four year period. Decreased to \$579,000 per year in 1969 for a four year period and then increased as a result of a reopening of negotiations concerning that lease in 1975 to a minimum \$1 million per year through the expiration of its term.

In consideration for the additional lease term, the Port Authority agreed to an overage payment to be paid to the City of Newark, when net revenues reached certain peaks, that overage was to be a percentage equal to 50% for the years 1966 through 1975, when annual net revenues exceeded the guaranteed annual rent, 60% for the years 1976 through 1985 and 75% for the years 1986 through 2016. To date, no overage payments have ever been paid or ostensibly owed.

The net result is that, the City of Newark for the loss of 14% of its land area, is paid no taxes and only \$1 million per year in a landlord tenant relationship with the Port Authority since the City owned the land the Seaport and Airport now occupies.

On the positive side, the Port Authority has constructed a new International Airport costing close to one half billion dollars, enlarged

and modernized the Marine Terminal facilities, such that, it now consists of one of the largest container port facilities in the world. It has now employed thousands of people in an area that was once marsh land. More recently, under the current administration of the Port Authority, it has participated in discussions with the City of Newark, concerning construction of an industrial park. While a site outside of Newark has been selected this trend towards projects to create permanent long term jobs that will not be undertaken by the private sector should be, it is our opinion, the thrust of the Port Authority in the future. In the past ~~one~~ year, the Port Authority has sold the Truck terminal on Delancy Street, which was running at a deficit financially, in response to industrial activity and demand from within the City of Newark. As a result of that sale, the purchaser, Englehard Industries will undertake a multi-million dollar expansion in the City and create several hundred permanent jobs in that building. The ultimate scope of the investment may approach as much as \$15 million.

Concurrently, in a break with precedent, the Port concluded negotiations with the City of Newark for a occupancy tax to be levied on a new hotel which the Port Authority will in the near future put out to bid to be constructed at Newark Airport. It's action marked the first time that Newark will receive any payment for a facility at the Port or Airport that approaches a payment similar to taxes.

During the past several years, the Port Authority has aggressively marketed Newark Airport. As a result, the Airport continues to lead the Metropolitan region in passenger traffic growth despite deep incursions in travel caused by recent recessions. Also, within the last three years,

a number of new lines have come to Newark, including World Airways, Continental Airlines, Texas Air and Pan American World Airlines. In addition, the Port Authority has announced that Terminal C will be scheduled for completion within two years.

It is contributing \$2 million towards the \$20 million improvements to be undertaken at Newark Penn Station which will be the key in the already started revitalization of Newark's downtown. It participating in the amount of thirty-seven and half million dollars towards an \$80 million interchange to be built at the New Jersey Turnpike which will make access to Newark Airport along with thirteen miles of new roads, more convenient and significantly easier to and from that Airport. The City of Newark and the County of Essex will in the very near future commence discussions concerning some of the issues surrounding resource recovery and the possibility of the Port Authority's assisting in a County facility to alleviate the plight of diminishing landfills by modern high technology disposal.

While the agency has received much criticism and not unjustifiably, its many accomplishments testify to its operational efficiencies and management capabilities and its uncanny ability to get projects built. Since its creation over \$4.8 billion worth of Port Authority bonds have been sold. The Port Authority's unique funding capacity and tax exempt status more readily permits it to construct and provide self-supporting public facilities and public services without using public sector monies which have employed thousands of people.

If the Port Authority has become unaccountable and unresponsive as some observers argue, its because proper direction and control has not been furnished over the years by the States of New York and New Jersey.

We think that the Port Authority must become more responsive, but those calls for responsiveness should be first channeled at the Port's current activities and those upon which it will in the near future embark.

The plight of the City of Newark might be made more palatable if a head tax for instance on commuters using the Airport were instituted and dedicated to the two municipalities, Elizabeth and Newark, where the Airport is located. Additionally, the overage provisions of the Port Authority lease might be explored by an objective third party to determine if the City of Newark is owed any monies thereunder.

Issues such as these and the possibility of direct mass transit access to Newark Airport, via downtown, should be explored. We do not support replacing or dismantling the Port Authority of New York and New Jersey. We do, however, support a closer accountability and responsiveness by that body. Perhaps centering on input and monitoring by those municipalities on both sides of the river who are most affected by the Port's current and past operations.

Abolishing the Port Authority and replacing it with a smaller Bi-State Agency responsible solely for cross Hudson transportation facilities would be counter-productive to the New York, New Jersey metropolitan area and its future economic growth.

The ability by either governor to veto the minutes of the Port Authority meeting is an inadequate and disjointed method of managerial control, and as such, a more direct line of communication and scrutiny should be instituted. The forum or methodology should be left to the two Governors to determine.

THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY, THE
RENEWAL OF THE TRI-STATE METROPOLITAN REGION, AND THE
DEVELOPMENT OF EXPLICIT SYSTEMS PERCEPTIONS AND PERSPECTIVES

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ss/ Abraham Stein, Sept. 2, 1980

Abstract

The interpenetrating entropic (degenerative) and counter-entropic (developmental) processes of human societies suggest that selected favorable conditions leading to an "active society" (Amitai Etzioni's formulation), cybernetically organized, may well facilitate the urban regional renewal and blooming of the northeast and north central American states. What seems to be needed is a robust, democratic leadership and information system, in every dimension, that is linked to and supported by massive and effective political power.

The structure of the Tri-State New York-New Jersey-Connecticut Metropolitan Region is considered briefly. The Port of New York District, the Comprehensive Plan, and the Port Authority are discussed. The five phases of the development of the Port Authority are sketched. Finally, the possibility is weighed that the latest phase in the Port Authority's development may enable it to contribute to the conditions necessary for an "active Society's" self-renewal and blooming in the American "snow belt."

THE PROBLEM

Throughout the world mankind suffers the "normal," continuing processes of "entropic" physical, psychological, and social deterioration, disorganization, and decay. Nevertheless, the human population mushrooms, the industrialization and urbanization of human societies proceed, and many, though by no means all, cities, nations, and regions continue to develop counter-entropically. The postwar revival and reorganization of many war-ravaged occidental and oriental societies and their component communities, since 1945, exemplify an important principle of life, of living species. Any human community, any town, city, urban region, province, state, or nation, regardless of how much it may have degenerated during a given period, can bloom again!

Four conditions, among a larger set, must be present, we suggest, for a declining polity to bloom again. The first is an appropriate social and political will and an underlying unity of purpose. The second, as Professor Amitai Etzioni proposes, is a cybernetic societal structure and a consequent direction and thrust created by the emergence of an "active society." The third is a related societal consensus and cohesiveness, broad-gauged and deep. The fourth is the availability of sufficient resources—material, technological, governmental and administrative, and financial [Etzioni, 1968; Waterston, 1965].

In the United States in the past decade or so many observers have discerned a growing competitive tension between the so-called "sun-belt" states and the "snow-belt" states. Migration has accelerated from the northeast and north central states to the southern and southwestern states, a persistent migration stimulated by differences in both economic opportunity and climate. The northeast states include Maine, New Hampshire, Vermont, Massachusetts,

Rhode Island, Connecticut, New York, New Jersey, and Pennsylvania. The north central states include Ohio, Indiana, Illinois, Michigan, Wisconsin, Minnesota, Iowa, Missouri, North Dakota, South Dakota, Nebraska, and Kansas. There has also been both a relative and an absolute decline, social, economic, and physical, particularly in the older industrial cities in the northeast and north central states. Most dramatic are the decay and destruction of large residential and industrial areas within cities such as New Jersey's Newark and Paterson, Michigan's Detroit, Illinois' Chicago, and New York City's Boroughs of the Bronx, Manhattan, and Brooklyn.

Thus, the question presents itself: what can and should be done? And the answer is obvious: start a systematic "counter-entropic" renewal in every social, cultural, psychological, political, economic, technological, ecological, managerial, and scientific dimension.

This carries us to the specific problem to which this paper speaks. Stated simply it is: how can the Tri-state New York-New Jersey-Connecticut Metropolitan Region become an "active society" and begin its own deliberate, adequately-complex, comprehensive, organized, and significant process of self-renewal [Gardner, 1964]? This metropolitan region is the largest nucleus of the politically-fragmented, polynuclear northeast United States.

In action terms this formulation of the problem points to the need, ultimately, for an integrated social, cultural, political, economic, scientific, and technological leadership system and an adequately complex and open information system at the local, state, and regional levels throughout the northeast and north central states [Herlitz, 1958; Koblik, 1975; Shonfield, 1965]. For the leadership and information systems to be effectively articulated and to function jointly as a robust supersystem, they must have

access to or must be supported by the American system of economic and political power, however it is embodied in both the Tri-state Metropolitan Region, the three State capitals, and Washington, D.C. [Dye, 1978; Nadel, 1976; Shoup and Minter, 1977].

The Region, The District and The Authority

The United States Bureau of the Census, the official Tri-State Regional Planning Commission, and the private Regional Plan Association of New York each define in diverse ways the structure of the Tri-State New York-New Jersey-Connecticut Metropolitan Region. The Regional Plan Association's formulations include a 22-county "Metropolitan Area" blanketing parts of the three neighboring states and a larger 31-county "Planning Region" [United States Department of Commerce, 1973; Tri-State Regional Planning Commission, March, 1978; Regional Plan Association, May, 1967].

The larger entity, with an area of nearly 13,000 square miles, has a growing population that is expected to approach 25,000,000 by 1985 [Regional Plan Association, 1967, pp. 23, 79-141]. This region is made up of contiguous parts of northern New Jersey, downstate New York, and western Connecticut. At its core is the bi-state Port of New York District which was defined in the Port Compact of 1921 by the States of New York and New Jersey. (Chap. 154, Laws of New York, 1921 and Chap. 151, Laws of New Jersey, 1921). It is described succinctly as follows:

" . . . The Port District [at present] comprises an area of about 1,500 square miles in both states, centering about New York Harbor . . .

[and] includes the cities of New York and Yonkers in New York State and Jersey City [and Newark] in New Jersey and over 200 other municipalities, including all or part of seventeen counties in the two States." [The Port Authority of New York and New Jersey (its official

name since July 1, 1972), 1979].

The Port of New York Authority, as it was originally named, was created by the same interstate Compact and the supporting statutes that created the Port District. Its underlying purpose was and still is to contribute to the holistic economic development of the Port District which was and still is perceived to be an integral social and economic community [New York, New Jersey Port and Harbor Development Commission, 1920b; Bard, 1942; The Port Authority, 1979b, 1978; Stein, ¹⁹⁸⁰~~1979~~].

In this paper we propose to outline the institutional and functional development of the Port Authority and consider its past and potential role in the solution of the problem of helping the Tri-State Metropolitan Region realize its own counter-entropic self-renewal.

Two Polities and Their Common Ecology and Economy

The Hudson River in its lower reaches is a deep, mile-wide, tidal estuary of the Atlantic Ocean. It connects with a large, deep, harbor six miles wide, Upper New York Bay, as does another tidal estuary, the East River, which links Long Island Sound with the harbor. Other branches also make up the complex harbor—Kill van Kull, Arthur Kill, Newark Bay, the Harlem River, and Buttermilk Channel. The major islands, whose presence defines the various parts of the harbor, are Manhattan, Long Island, and Staten Island.

Conflict between the two states arose early in the 19th Century over the issue of jurisdiction over navigation when steamboats became a practicality. This conflict was settled by the Treaty of 1834 between New York and New Jersey [Bard, 1942].

Conflict between the two states arose again during the first two decades

of the Twentieth Century. The terminals and the storage and classification yards of the nearly dozen American trunkline railroads were strung along New Jersey's Hudson River shore line and the related uplands. Much of the freight was moved by carfloat and lighter to the New York shores where the bulk of the seaport's population and industry were located. A major freight rate case was joined when New Jersey business interests sought a railroad tariff advantage over the New York interests. The Interstate Commerce Commission, a United States regulatory agency, heard the case, recognized the intrinsic systemic unity of the seaport, and recommended that the two states cooperate, settle their differences, and otherwise respect the ecological, economic, and social unity of the port. Resolution of the conflict was embodied in the Port Compact of 1921, which was actually an "amendment" to the Treaty of 1834.

The Port Authority

The Port Authority was given, initially, rather general entrepreneurial powers and basic, but extremely limited, governmental powers. Both the boundaries of the "Port of New York District" and the responsibilities, powers and constraints of the Port Authority, it was specified, were to be, at all times, subject to change. The vehicle for initiating such change, holistic, systemic, and coordinated, was to be an evolving "Comprehensive Plan" for the Port District's development.

The Port Authority's primary responsibility was to make plans for the development of the District—first, a skeletal Comprehensive Plan, later modifications and elaborations of this Comprehensive Plan in the light of changing circumstances—which, upon adoption by the two states through appropriate legislation, it was to implement. But the 1921 Port Compact

was to become subject to unilateral abrogation by either state were the initial Comprehensive Plan for the Port District not to be adopted by the two states on or before July 1, 1923. Thus, the Port Authority's first task was to recommend to the states an initial Comprehensive Plan.

Now, the active cadre of the nascent Port Authority was the same set of personages who, as the New York, New Jersey Port and Harbor Development Commission, had researched the immediate problems of the Port. They had worked out both a technical plan for its development and, inspired in part by the design of London's Port Authority and the Mersey Docks and Harbour Board of Liverpool, an institutional and organizational plan for treating the bi-state area as an integrated socio-economic system. This system was to be administered by a proposed port authority, a government corporation functioning as a municipal instrumentality of the two states.

The Port Authority, created in the Spring of 1921, had acquired all the papers of the Commission. Within seven months the Authority proposed a "plan for the comprehensive development of the Port of New York." By February, 1922, the two states had enacted the Comprehensive Plan Act and the Port Compact of 1921 had been, so to speak, "fixed." [Port Authority, 1921, 1948].

In its 1921 report the Authority had referred on page 5 to "two fundamental principles--the economic needs of commerce and the public policy of port development." A holistic approach was uppermost in the minds of the Commissioners. Nearly sixty years ago they wrote:

"The Port as a Whole"

"The Port Authority had to consider the interests of the whole port, as well as the relations of each port. It had to suggest plans for prompt relief and project larger plans for future development as far ahead as the process of reasoning could foresee, so that each part of the port in the development of its local projects and its growth might properly coordinate them with the whole." [Port Authority, 1921, p. 14.]

The Initial Comprehensive Plan

The most urgent task was to relieve the traffic congestion at the railroad pierheads and yards in Manhattan and make all railroads equally accessible to shippers and receivers of railroad freight. The solution was to build a series of distributed union rail freight terminals throughout the Manhattan CBD (central business district) and a large belt line or terminal railroad system within the Port District. The belt line would enable freight cars to be moved expeditiously from one trunk line railroad to another and would increase the accessibility, hence choice, of alternative railroads to each shipper.

Accordingly, the Comprehensive Plan, initially, was confined to the issue of improving railroad service and efficiency. This has confused many observers who failed to distinguish or mistook means for ends and who did not study the record and the statutes. Reading only the Port Authority's self-serving descriptions of the 'forties, 'fifties, and 'sixties, they jumped to the wrong conclusion that the Port Authority's main function was and is to provide the Port District with transportation and terminal facilities.

The original Comprehensive Plan, a skeletal beginning of a regional developmental plan adequate to the needs of the Port District, was never realized [Bard, 1942; Committee on Regional Plan of New York and Environs, 1929]. The larger trunk line railroads, who dominated the entire group of railroads, proved intransigent. Each necessarily guarded its own superior competitive position. Each refused to abandon its unique facilities for gathering and distributing freight and to adopt the Port Authority's plan for a comprehensive system of belt lines and union freight terminals. After several years of futile negotiations the Port Authority's focus, as we shall see, shifted to the District's highways and its need for vehicular crossings. And after two decades the Port Authority abandoned its attempts to secure the requisite cooperation of the railroads to build an efficient system of railroad belt lines and union freight terminals.

Circumstances had changed after World War II. Motor truck carriage had boomed, all parts of the Port District had been linked by highways and vehicular bridges and tunnels, the Port Authority's operations and earnings were growing rapidly, and it was about to embark on the development of modern airports, marine terminal facilities, and, in collaboration with Robert Moses, a dense network of highways and vehicular bridges and tunnels [Port of New York Authority and the Triborough Bridge and Tunnel Authority, 1955; Bard, 1942; Caro, 1974].

Port Authority Finances

During its earliest years the Port Authority received its operating funds through the usual process of annual appropriations from the two states. Unlike water supply and school "districts," it had not been given, at the outset, the right to tax people or business firms in the Port District or to

issue other assessments or levies related to "improvements" of a part or all of the Port District. It did receive the right to own assets, borrow funds, buy, lease, or construct land and capital plants, charge users of its facilities for its services, and earn and keep profits from revenue-generating operations. Nor had the Port Authority been granted, initially, the right to employ the credit of either of the two states.

These limitations on its fund-raising powers can, in principle, be removed at any time were the two states to become willing to pass appropriate legislation. To retain their "entrepreneurial" autonomy and avoid the risk of having the public raise the traditional American cry, "No taxation without representation!" the Port Authority's top-management never did seek, to this day, either the power to tax or the power to employ, unilaterally, the credit of either state.

This much said, we are prepared to understand the development of the Port Authority's increasingly intricate technique of financing its capital plant and its operations. Together with this development came a growing systems perception and perspective regarding the interactions of the various streams of revenues, expenses, and contractual liabilities generated by its legal, financial, construction, and operations departments under the guidance of its senior staff and Board of Commissioners.

Major Developmental Phases of the Port Authority

It has become quite apparent to the writer over the last two years of his research into the development and growth of the Port Authority that this counter-entropic elaboration of its functions and structures can be divided into five distinct phases. These can be seen to have emerged sequentially,

with the last four continuing simultaneously.

The first phase of the Port Authority's development and growth involved the design of the initial Comprehensive Plan and the Authority's futile attempts to implement this Comprehensive Plan by rationalizing railroad freight distribution and collection in the Port District. This phase continued for about two decades, but rather inactively and spasmodically during the second. Through the calendar year 1929 this phase was marked by the Authority's dependence on an annual allocation of operating funds through the legislative appropriations processes of the two states.

The second phase began in 1924 when the two states authorized the Port Authority to finance, build, and operate two bridges over the Arthur Kill to Staten Island, one from Perty^h Amboy and the other from Elizabeth. In 1925 another bridge to Staten Island was authorized, the Bayonne Bridge. The bridge from Fort Lee to upper Manhattan was also authorized in 1925 by the two states. The Arthur Kill bridges are now known as the Outerbridge Crossing and the Goethal's Bridge, and the Hudson River bridge is now called the George Washington Bridge. As Bard put it, "Within the Port Authority the center of gravity began shifting to vehicular traffic . . . The Port Authority's staff, previously a loose aggregation of experts and planners, was reshaped to fit the needs of construction [Bard, 1942, p. 185]." Consolidation of the new policy of building bridges and tunnels continued—the details will be found in Professor Bard's study—and by 1931 the Port Authority had convinced the two states to grant it a monopoly over interstate crossings within the Port District, to acquire the very profitable Holland Tunnel, and to pool the finances of the tunnel, the four bridges, and the construction of a second tunnel, the midtown Lincoln Tunnel.

The systems perceptions and perspectives were becoming clearer and were better articulated. Guided by Port Authority memoranda, the two states asserted, as Bard notes:

...that the vehicular traffic moving across the interstate waters with the Port of New York District...constitutes a general movement of traffic [through a network of routes--A.S.] which follows the most accessible and practicable routes and that the users of each bridge or tunnel...benefit by the existence of every other bridge or tunnel since all such bridges and tunnels as a group facilitate the movement of such traffic...

Accordingly, the two states, in the interest of the users of such bridges and tunnels and the general public, hereby agree that the construction, maintenance, operation and control of all such bridges and tunnels...shall be unified under the Port of New York Authority ...[Bard, 1942, p. 191--quoting from L.N.J. 1931, c. 4,5; L.N.Y. 1931, c. 47, 48].

The third phase followed World War II. The original administration of the Port Authority in the persons of John E. Ramsay, the General Manager, and Julius Henry Cohen, the General Counsel, were forced, the present writer believes, to retire in mid-1942. Austin J. Tobin became the Executive Director and Leander F. Shelley became General Counsel. In 1945 Howard S. Cullman became Chairman of the Board of Commissioners. The Port Authority became very much the entrepreneur and abandoned its regional planning function. It had already stopped publishing its Comprehensive Plan, which had never been formally updated in terms of its bridges, designed to accommodate railroad tracks in due course, and its vehicular tunnels. During the '40s and '50s, it turned to building and operating highly-profitable, capital-intensive facilities, primarily airports and marine port facilities, and continuously to upgrading them. This matched the needs of the bondholder interests on whom the Port Authority depended for its revenue -

bond financing and its "control" of its own destiny. The following table presents cogent data, but data that must be adjusted for the declining value of the dollar.

Port Authority Financial Highlights
-millions of dollars-

	<u>1944</u>	<u>1962</u>	<u>1978</u>
Total Assets	265.3	1,424.3	3,500.5
Net Worth**	73.9	690.9	1,258.1
Operating Revenues	17.8	135.1	543.8
Operating Expenses*	4.8	65.7	367.9
Interest Revenue	.3	4.8	28.9
Interest Expense	5.4	16.3	84.6
Net Profit**	7.9	57.8	120.2
GNP Price Deflator (Structures: 1958=100)	48.6	107.1	220- 240**

*No depreciation allowances.

**Present writer's estimates.

Sources: The Port Authority's 1942 and 1962 Annual Reports and its 1979 Official Statement;
U.S. Dept. of Commerce, 1966

The Board of Commissioners' "Resolutions" and the States' authorizing statutes, to a major degree influenced by the Port Authority, gradually spun a tight web of constraints that integrated its accounts, its actual assets, liabilities, budgets (including its "reserves") into one well-integrated system [Goldberg, 1964] and dedicated them to the financial interests of its bondholders.

The second and third phases of the Port Authority continue to this day. It owns or leases, and in most cases operates the interstate tunnels and bridges, the marine terminals and airports, several motor truck terminals,

a bus terminal and a bus station, and other facilities that it established during these two phases.

The fourth phase--a heroic, extravagant, troubled phase--opened with the launching of the Port Development Project of 1962. The decay of the lower Manhattan sector of the Manhattan CBD, as major corporations moved to the booming midtown after World War II, threatened real estate values of the so-called Wall Street-Financial District. David Rockefeller went against the tide and built the Chase Manhattan Plaza. He also organized a civic association, the Downtown-Lower Manhattan Association (DLMA), to spark an "urban renewal" program. In 1960 the DLMA recommended that the Port Authority build a World Trade Center along the East River waterfront. Meanwhile, mass transportation facilities and service were deteriorating within the metropolitan region, particularly commuter services. Nelson Rockefeller, Governor of New York State, forced the Port Authority to participate in financing rolling stock for the two out of the three railroads serving New York City-bound commuters. The Hudson Tubes system serving New Jersey commuters working in Manhattan was collapsing; its corporate parent, the Hudson and Manhattan Railroad Company was bankrupt. Service was declining, as was passenger traffic. This threatened the Holland and Lincoln Tunnels; resort to the highway en masse by Hudson Tubes users would coagulate traffic on the tunnel approaches. Pressures would then force the Port Authority to build an uneconomic additional Holland Tunnel tube. With this possibility before it, the Port Authority reversed its rock-hard policy of the third phase of avoiding involvement in mass transit projects. It proposed that it build a World Trade Center and assume the rehabilitation, modernization, and operation of the Hudson Tubes.

It took a year to develop a politically-viable plan; the project that

emerged in 1962 combined in one legal and financial effort the proposed World Trade Center that the Rockefellers wanted, and a so-called urban renewal project in Hudson County's Jersey City, the Journal Square Transportation Center, which served, the present writer believes, as an inducement to the County's political forces to support the World Trade Center in New Jersey's legislature [Stein, 1980].

The fourth phase generated considerable controversy. The Hudson Tubes carried but five percent of the traffic of New York City's own subway system. But pressure built up in City Hall's circle to have the Port Authority involve itself in the New York City subway system. The Port Authority did not dare get involved financially with this system. The World Trade Center construction program was delayed for several years by court cases that tried to block it completely and, when it opened, it added to a temporary glut of office space already generated by private builders. The project as a whole did nothing for the deteriorating bus transportation networks in northern New Jersey.

The upshot of this controversy which boiled over into the political and juridical arenas was that Austin Tobin was forced to retire and, after an interregnum, a new, promising administration was installed. Alan Sagner, a strong supporter of New Jersey's Governor Brendan Byrne, became a Commissioner and later moved into the Chairmanship of the Board. New York's Governor Hugh Carey arranged to have his former Budget Director, Peter C. Goldmark, Jr., become the Executive Director. Some changes were made in the personnel of the Board of Commissioners.

With the installation of the new administration and the continuation of change in the social, economic, and political environment, the Port Authority began to adapt itself to the changing environment by developing new

policy initiatives. This has led the present writer to identify, tentatively, a fifth phase in the Port Authority's development--a phase in which its focus returns to its original, underlying mission.

Renewing the Region

It was already apparent in the early seventies, particularly to the Port Authority's Planning and Development Department, that substantial changes in the Port Authority's environment required significant strategic responses. Its underlying administrative policy, and the corresponding governmental policy of the two States, it seemed, would require careful reworking.

The fifth phase of the Port Authority began with interesting developments. The Port Authority's 1977 Annual Report opened with the statement:

In a year of unusual challenges and changes, new leadership engaged the Port Authority in a search for new perspectives and strategies to help in the economic renaissance of the New York-New Jersey Port District over the coming decades.

.....As one of the region's major resources for over 55 years, the Port Authority prepared to relate to the major challenges facing the port area and the Northeast, and develop new programs under rigorous conditions of public accountability and in a spirit of partnership with the states and local governments it serves.

This suggests that the Port Authority may broaden its vision of the variety of roles it must play, may include a program of leadership and information services going far beyond its previous entrepreneurial activities in the "rentier" mode, and consequently may root itself deeper in the vital counter-entropic, programmatic aspects of the District's and the Region's social, political, economic, technological, and scientific processes. Should the fifth phase of the Port Authority's development move in this direction, then it can become a key contributor to building local, state, and regional processes, democratic processes, characteristic of the "active society" that seizes its own destiny

and renews itself, a cybernetic society with full flows of information and a truly cultured, moral, sophisticated citizenry.

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NEWS NEWS NEWS NEWS

BACKGROUND OF THE NEWS

THE WORLD TRADE CENTER -- PATH -- THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY

Dr. Abraham Stein's study since the 1960s of the development and the evolving responsibilities of the Port Authority of New York and New Jersey has yielded an authoritative 300-page doctoral dissertation: "THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY AND THE 1962 PATH-WORLD TRADE CENTER PROJECT."

The vital and complex contribution of the physically- and financially-integrated PATH-World Trade Center Project to the unfolding governmental policies and programs of New York and New Jersey and to the evolving administrative policies and programs of the Port Authority is a major focus of the dissertation. From a policy standpoint the fundamental mission of the Port Authority, since its founding in 1921, is to further the economic and social growth, development, and systemic integration of our bistate community, namely, the "Port of New York District," which was also created in 1921, and its enveloping metropolitan region. A most significant substantive finding of the dissertation is that the role and activity of the Port Authority evolved through five distinct developmental phases.

Professor Stein, who teaches at at the School of Business of Hofstra University, has written a case study that constitutes a profound revision of the outmoded, narrow, and inadequate -- one could well add, incorrect -- public perception of the fundamental mission and the specific purposes of the Port Authority. It was not created by the two states to serve primarily as a "transportation agency." The Port Authority, the Port District, and the Comprehensive Plan for the Development

BACKGROUND TO THE NEWS

of the Port District were established by the two states, acting in concert, through two pairs of parallel founding statutes in 1921 and 1922 to further the integrated economic and social development of the one integral urban area that had emerged and fused on both sides of the great, common, deep-water estuary and harbor that the two states shared.

Over the following six decades relevant bistate governmental policy continued to unfold and evolve. As this development proceeded and was expressed legislatively, the nature and scope of the Port Authority's administrative responsibilities, powers, and policy continued to expand and mature. The Authority, of course, has served and continues to serve as a joint corporate instrumentality of the two states. This is sketched in Dr. Stein's dissertation and is echoed in his 1979 paper that he read in London at an international meeting of the Society for General Systems Research. It updates the story first researched by Dr. Erwin Wilkie Bard in his pioneering doctoral dissertation. Bard's original study was subsequently expanded. It was published in 1942 by the Columbia University Press under the title, "THE PORT OF NEW YORK AUTHORITY."

Implementation of the 1962 PATH-World Trade Center Project at the direction of the two states (and ^{with} the concurrence of state and federal courts where the relevant statutes were tested) marked the inception of the fourth phase of the Authority's development. As a result of the intensification of legal and political controversy since 1962, implementation of this project may well have given rise to the present administration of the Port Authority under Alan Sagner, the Chairman of the Board of Commissioners, and Peter C. Goldmark, Jr., the Executive Director.

Dr. Stein's research findings suggest that the present administration may be redirecting the Port Authority's thrust to match more closely its basic mission and its specific purposes -- thus, shifting from a focus during the '30s, '40s, '50s, and '60s primarily transport-oriented to one more broadly concerned with

BACKGROUND OF THE NEWS

the Comprehensive Plan for the Port District's social and economic development and integration and that of its enveloping region.

Additional summaries of the dissertation are available from Dr. Stein. Copies of the complete dissertation may be purchased in bound book form (paperback or "library" cloth binding) or in microform from Xerox-UMI at 300 North Zeeb Road, Ann Arbor, Michigan 48106 [Tel.: 800-521-3042].

Please go to the "Addendum" on Page 4.

ABRAHAM STEIN, Ph. D.

Professor Abraham Stein, who joined the faculty of Hofstra University's School of Business this past September, was awarded the degree of Doctor of Philosophy (Ph.D.) in Accounting, Management, and Public Administration in February, 1980, by New York University. He also holds a 1938 B. S. (in History) and a 1940 M. S. (in Education) from The City College of New York and a 1967 M.B.A. and a 1978 M. Phil. from New York University's Graduate School of Business Administration. During the 1940s and 1950s Dr. Stein pursued postgraduate studies in Economics, Marketing, and Statistics at, respectively, Columbia University, Baruch College, and American University.

Dr. Stein is a scholar, teacher, and consultant particularly concerned with: 1. the roots, design, dynamics, development, and implementation of both business and governmental policy and strategy, 2. organizational theory, behavior, and development, 3. the long-term renewal of American cities and metropolitan areas, and 4. the application of a politically-sophisticated, humanistic, and interdisciplinary general cybernetic systems theory to administration and management.

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December 31, 1980

Mr. Joseph Capalbo, Aide
Senate Transportation & Communications Committee
State House
Trenton, N.J. 08625

Gentlemen:

The Industrial Real Estate Brokers Association of the New York Metropolitan Area is an organization of some 300 specialists who deal with industrial and office properties in the metropolitan region. We have long concurred with the premise that the activity of the Port Authority of New York and New Jersey should be limited to those which cannot be accomplished by private enterprise and which requires the cooperation of both states. We have opposed recent trends which have permitted the Port Authority to develop real estate projects in competition with private enterprise and opposed the enabling legislation which permitted the Port Authority to develop industrial parks.

The development of a modern industrial park is a capital intensive project which does not produce a positive cash flow in its initial years. Obviously, the time required to produce a profit is a function of both the size of the park and the accounting rules used. It should be noted that there are substantial differences between cash flow and profit/loss in the field of real estate.

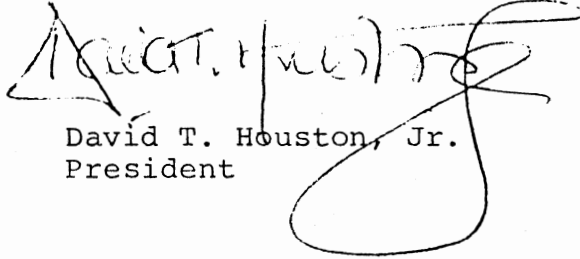
By investing in industrial parks, the Port Authority will diminish its cash flow for a substantial period of time.

Senate Transportation
& Communications Committee
December 31, 1980
Page 2

In addition, we believe the World Trade Center should be sold. It has been used to provide favorable leases to companies threatening to leave the city or to governmental agencies at the expense of the tax payers of the State of New Jersey.

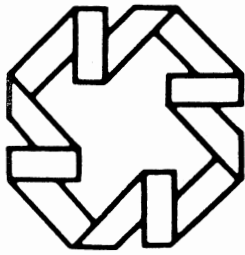
We urge the committee to carefully define the roll of the Port Authority as suggested above and to leave the development of industrial and office real estate in the Port district to private enterprise.

Cordially yours,



David T. Houston, Jr.
President

DTH/am



naiop

National Association of Industrial and Office Parks

Herman C. Simonse, President
Northern New Jersey Chapter
Bellemead Development Corporation
1200 Wall Street West
Lyndhurst, New Jersey 07071

National Headquarters, Rosslyn Center, Suite 1010
1700 North Moore Street, Arlington, Virginia 22209 • (703) 525-5638

December 31, 1980

The Honorable Francis X. Herbert
Senator from New Jersey
167 Franklin Turnpike
Waldwick, New Jersey 07463

RE: REPORT OF THE SENATE TRANSPORTATION SUBCOMMITTEE
MONITORING NEW JERSEY TRANSIT AND THE PORT AUTHORITY

Dear Senator Herbert:

The National Association of Industrial and Office Parks, Northern New Jersey Chapter, generally concurs with the findings and recommendations of your Subcommittee regarding the operation of the Port Authority of New York and New Jersey.

Our industry has particular cause for concern in that the New Jersey Legislature has given the Port Authority the powers necessary to compete directly and unfairly with the private sector developer throughout twenty-four (24) New Jersey communities. We fought this bill vigorously at its inception and our members still feel antagonistic towards this program. We do not believe the role of government or a public agency should be one of competition with the private sector but rather one of support. As a result we concur wholeheartedly with the suggestion that the Port Authority be dismantled except for the management of the various bridges and tunnels. We would support any legislation aimed at this purpose.

Thank you for the opportunity to comment.

Very truly yours,

Herman C. Simonse
President, NAIOP

cc: J. Capalbo ✓



Arthur R. Trautmann, Executive Director

REMARKS FOR THE NEW JERSEY SENATE TRANSPORTATION SUBCOMMITTEE
MONITORING NEW JERSEY TRANSIT AND THE PORT AUTHORITY

Senator Francis X. Herbert, Chairman
Senator S. Thomas Gagliano
Senator Francis X. Graves, Jr.

Mr. Chairman and Members of the Committee:

The Associated General Contractors of New Jersey is a 200 member organization engaged in road building, bridge building, and heavy construction throughout the State. I have been instructed by the Executive Committee of the Associated General Contractors to convey to you their unqualified support and concurrence with part III of your Responsibility and Responsiveness Report, "A Responsive U. S. Department of Transportation."

Your four part recommendation for U. S. Department of Transportation functions would efficiently realize the goal of returning New Jersey taxpayers' federal transportation dollars to the State in an orderly manner.

The thoroughness and diligence of your committee is appreciated. Thank you.

Arthur R. Trautmann
Executive Director

December 15, 1980

C-2 Executive Committee

[illegible]

