

D F NEW JERSEY

PUBLIC HEARING

before

AUTONOMOUS AUTHORITIES STUDY COMMISSION OF THE  
NEW JERSEY STATE LEGISLATURE

and the

NEW YORK STATE ASSEMBLY COMMITTEE ON CORPORATIONS,  
AUTHORITIES AND COMMISSIONS

Held:

March 12, 1971

N. J. Bell Telephone Building  
Newark, New Jersey

MEMBERS PRESENT:

Assemblyman Kenneth T. Wilson [Chairman, N.J. Commission]  
Senator Gerardo L. Del Tufo  
Senator Matthew J. Rinaldo  
Assemblyman Michael P. Esposito  
Assemblyman Peter J. Russo  
Assemblyman Peter W. Thomas

Assemblyman Robert F. Kelly [Chairman, N. Y. Committee]  
Assemblyman G. Oliver Koppell  
Assemblyman Joseph M. Reilly

ALSO:

Monroe J. Lustbader, Esq., Counsel, N. J. Commission  
John Carlson, Esq., Counsel, N. Y. Committee

\* \* \* \*



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ASSEMBLYMAN KENNETH T. WILSON [Chairman]: Ladies and gentlemen, we would like to start the hearing. We have quite a list of witnesses so if everyone will be seated, we will get started.

This is the second of two hearings before committees of the New York and New Jersey Legislatures. The New York Standing Committee is chaired by Assemblyman Kelly, who is on my left, and the New Jersey Commission is the Joint Autonomous Authorities Study Commission, chaired by myself, Assemblyman Wilson.

I would first like to give my counterpart from New York, Assemblyman Kelly, an opportunity to say a few words.

ASSEMBLYMAN KELLY: Mr. Wilson, ladies and gentlemen, I am grateful for the opportunity to participate in the second phase of this hearing and I want to say that my fellow legislators from New York will be drifting in from time to time and the reason for their delay is, as you know, in New York we have a bit of a budget problem and we have all been assigned to different phases of it and as the day goes on, they will be coming over here.

I am grateful to the Telephone Company for allowing us to use these facilities. And with that, I will turn it back to Mr. Wilson.

ASSEMBLYMAN WILSON: I would like to express the thanks of the Legislatures of both New York and New Jersey for the use of this facility to the New Jersey Bell Telephone Company.

I would now like to introduce the members of my Commission. On my right is Senator Matthew Rinaldo, who is Vice Chairman of the Commission; Senator Del Tufo of Essex County; our legal counsel to the Commission, Monroe Lustbader; Assemblyman Thomas of Morris County; and Assemblyman Russo of Bergen County. We also have legal counsel for Assemblyman Kelly's committee, Mr. Carlson.

I would now like to start the hearing. We have

quite a list of witnesses. First, I would like to call the Honorable Kenneth A. Gibson, Mayor of the City of Newark.

K E N N E T H A. G I B S O N: Thank you, Mr. Chairman.

Chairman Wilson, Chairman Kelly and members of the Committee: My name is Kenneth A. Gibson, Mayor of the City of Newark. I am here today to discuss the relationship between my city and the Port of New York Authority. Let me begin with the financial matters and then move to the Port Authority's potential role in Newark's economic development.

The Port Authority operates Newark Airport and Port Newark under a 50-year lease with the City, which owns the two facilities. This lease agreement was originally signed in 1947 and has been amended a number of times since then. In 1966, the Port Authority, which had been paying \$128,000 a year to the City, agreed to increase its guaranteed annual rent payments to \$1,000,000 for the years 1966 through 1970. In 1966, the Port Authority also gave the City a \$4,000,000 advance against future additional rent payments, which are based on a percentage of net revenues at the port and airport.

But the agreement stipulated that for the years 1971 through 1975 while Newark Airport expansion is underway, the guaranteed annual rent drops to \$579,000. Thus, the previous city administration arranged to receive \$9.1 million for the period 1966 through 1970. But the present administration, my administration, will receive only \$2.3 million in guaranteed rent from 1971 through 1974 and it will be a very long time before the Port Authority will owe us additional rent payments beyond the advance made in 1966. At a time when the City of Newark faces a severe fiscal crisis, this situation is extremely unfair to us.

That \$579,000 a year, which we will be receiving for the next five years, will not even cover the cost of

City services that will be provided to the Port Newark and Newark Airport district. I am submitting a summary of City services with this statement.

The marine and air terminals operated by the Port Authority in Newark occupy over 3,000 acres, or about 20 per cent of the City's total land area. Those 3,000 acres and the structures located there are worth about \$132 million. This figure represents approximately 10 per cent of the City's total assessed valuation. If the airport and Port Newark had been on the tax roles, the city would have received approximately \$11 million for them in 1970.

I recognize that the port and the airport were municipally owned properties in poor condition when the Port Authority agreed in 1947 to develop and operate them. As such, they did not produce tax revenues then for the City nor were they the great asset to the general metropolitan area which Port Newark and Newark Airport are now.

However, since 1947, much of Newark has deteriorated, while the Port of New York Authority has prospered. Severe burdens of high unemployment (now well over 11 per cent -- actually 14 per cent in Newark now), welfare dependency (30 per cent of Newark's population), high crime, poor health, and a severely depleted housing stock now characterize the City of Newark. As you gentlemen in the New Jersey Legislature and New York Legislature know, we have been forced to impose regressive taxes on our residents and businesses to meet municipal needs. And, despite these new taxes, Newark's property tax - already reaching the point of diminishing returns - continues to increase. I anticipate that you will hear of similar problems from the other mayors here today, but none matches the economic plight of as important a city as Newark.

Since 1947, the Port Authority has continued to expand its operations, to enlarge and develop its facilities, to increase its securities and other assets, to build up its surpluses and its reserve revenue fund, and to become

the giant in the field of public authorities.

I have indicated that the 1966 lease negotiated between Newark and the Port Authority provides inadequate compensation to the City. If this lease, now scheduled to run until the year 2016, can be reopened, it should be done.

The 1966 agreement gives the City the right to audit the Authority's accounts, relating to the marine and air terminals. But since the City is unable to do this itself or to pay an accounting firm to do the work, we think that either the State of New Jersey or the Port of New York Authority ought to reimburse the City for the cost of a yearly audit of Port Newark and Newark Airport. An audit could ensure that the agency was complying with the terms of the lease, and that its accounting practices were reasonable.

In addition, the City fully intends to collect the new 15 per cent parking tax from Port Authority lots.

Any significant relief for the City, however, must come from joint action by the legislatures you represent. Under existing legislation, the courts have ruled, after nearly a decade of litigation, that municipalities cannot levy property taxes on any part of Port Authority operations here.

Newark receives no payments in lieu of taxes on the airport or Port Newark - only the rent I mentioned before. (The City does receive a small payment in lieu of taxes on the Newark Union Motor Truck Terminal.) Combining Port Authority and other public and quasi-public uses, fully 60 per cent of Newark's land area is tax exempt.

The Port Authority should not be exempt from property taxes on those lands and buildings that are not used for the specific functions of the Authority, but are instead used for commercial purposes. One example is the hotel being built at Newark Airport, and there are many others. I wholeheartedly support state legislation to end the tax-exempt status of such property. Such taxation would not

affect the strictly public functions of the Port Authority, but would give the City revenue for what is in effect commercial property.

I want to turn now to the potential role of the Port Authority in Newark's economic development.

Over the 50 years since its creation, the Port of New York Authority has demonstrated tremendous capability as a public entrepreneur. Its construction and operations in transportation and trade development are unsurpassed in this region and perhaps in the world.

I have indicated the considerable contribution the City of Newark has made to the Port Authority, to its bondholders, and to the citizens of the metropolitan area and the nation who utilize Port Authority facilities. In return, Newark residents should benefit from the great capacity of the Port Authority to improve transportation and economic development. The Port Authority is a public agency, responsible, through its Commissioners, to the Governors and Legislatures of New York and New Jersey. Yet, it is an oft-stated criticism of the Authority that it acts more in response to the wishes of its revenue bondholders than to the citizens of the two states that it serves.

Governor Cahill has shown great leadership in urging the Port Authority to be more responsive to New Jersey's needs. The calling of this hearing and its companion hearing last Friday in New York shows the interest of the legislatures in learning the cities' views on the Port Authority's role.

There are constraints imposed upon the Port Authority by bond covenants which limit the undertaking of deficit-producing mass transit operations. Even so, the financial strength of the Port Authority was detailed last week by the New York State Comptroller. Annual surplus revenues, after deduction of operating expenses and debt service, are over \$55 million, and this amount will increase substantially when the World Trade Center is completed after

1973. The Governors, through review of Port Authority minutes and appointment of Commissioners, and the state legislatures through authorization of projects, can direct the Port Authority to utilize its financial and administrative capacity to meet pressing needs in the region.

In recent years, the Port Authority has demonstrated its versatility by building the World Trade Center and Journal Square Transportation Center, by expanding Newark Airport and Elizabeth Marine Terminal, by operating the PATH transit line, and by studying a rail link to Kennedy Airport and a transit tunnel from 48th Street in New York to the Hackensack Meadowlands.

Although I marvel at this program and at the ongoing Port Authority operation, I must ask what priorities determine these projects. Where, if at all, do the transportation and economic needs of the residents of Newark figure in Port Authority planning? Newark Airport and Port Newark have provided jobs and secondary economic benefits to Newark as a by-product of the regional impact of these facilities. I am suggesting that in future transit and development planning, the Port Authority should consider explicitly the economic impact on Newark and Newark residents.

Various projects have been studied and suggested for future undertaking by the Port Authority. Just this week the Interagency Task Force appointed by Governors Cahill and Rockefeller recommended an expansion of the Port Authority PATH system from Newark to Raritan over Jersey Central tracks.

An expansion of the City subway system should be considered with the aim of bringing Newark residents better access to employment opportunities. Similarly, mass transit service through the Ironbound to jobs in the Newark Meadowlands should be studied.

These and other proposed mass transit projects should be evaluated by Port Authority and State officials for their impact on the development of Newark and the provision

of access to jobs for residents of a City with staggering unemployment. Such evaluations should be a major factor in project selection.

Given its considerable borrowing capacity and development skill, the Port Authority should also review the feasibility of commercial undertakings in the City of Newark. Within the scope of revenue bond financing, the Authority should consider taking over and modernizing Penn Station, utilizing the air rights for an office building.

In the same vein, the Port Authority could develop an area of the City, possibly in the Meadowlands, for a meat and produce distribution facility. Other projects are possible as well.

I mention these proposals, some of which have been suggested by Governor Cahill and others, to emphasize the importance of Port Authority involvement in Newark's re-development. I have not studied them sufficiently to present specific endorsements or plans. This job is properly one for the Port Authority and the State, but I do urge that economic impact calculations for Newark be made and that they be discussed with me.

To help ensure that the Port Authority assumes a stronger urban focus I call upon Governor Cahill to make his next appointment of a Port Authority Commissioner a person whose primary commitment is to urban problems and urban development. The present Commissioners are steeped in business and financial experience invaluable to Port Authority operations, but they lack an advocate for the urban problems of the region they serve.

For the longer run, I support Mayor Lindsay's proposal for legislation to have three of the six commissioners from each state appointed by the Governors after recommendation by the major municipalities in the Port Authority district.

Finally, the Port Authority has demonstrated concern for promoting equal employment opportunity and minority enterprise. Some progress has been made in providing business

opportunities for minority contractors and suppliers. I hope that the Port Authority will encourage the airlines to develop in Newark an effective Airport Opportunity Council to continue these efforts.

Unfortunately, similar gains cannot be reported for construction employment. The Port Authority should continue to urge Attorney General Mitchell to institute a non-discrimination suit against the building trades in Essex County.

I conclude by noting the obvious fact, that the Port Authority is a major asset to the New York-New Jersey region. I think it can become a major contributor to the revitalization of Newark as well.

Thank you very much, gentlemen. I would like to point out that the appendix is attached to the statement which you have received and I would like to have that included as the official part of my statement.

[Appendix to the statement of Mayor Gibson  
can be found on page 71 A of this transcript.]

ASSEMBLYMAN WILSON: Thank you, Mayor.

In your statement to the sitting committee you stress the fact you are dissatisfied with the amount of money that the Port of New York Authority is now paying the City of Newark. Have you met with the Port Authority officials since the start of your administration to consider renegotiations in the future? Has this been accomplished by you?

MAYOR GIBSON: We have met. Our attorneys are considering and looking into the legal problems of renegotiation. Of course, we have to handle this through the legal process. We have had meetings with Mr. Tobin and many of the Commissioners and we have had a very good relationship. My problem is that the present arrangement and agreement is in my opinion unfair and we will move to begin renegotiation on a legal basis of the present agreement.

ASSEMBLYMAN KELLY: Does it have to be done on a legal basis? Have you ever approached the New Jersey Commissioners

to ask Mr. Tobin and the rest of them to sit down and renegotiate a contract without going through legal process? I am talking about the courts.

MAYOR GIBSON: When I say legal, I don't really think we have to go to the courts on this, but I think the attorneys with our consultants and the commissioners should be able to renegotiate this without suit.

ASSEMBLYMAN KELLY: With reference to the auditing of the books which you are requesting, did you ever appeal to the State Comptroller to ask him if he could give you a copy of any of the audits he ever made for the State?

MAYOR GIBSON: No, sir, we haven't and maybe this will be one of our first steps. The reason we indicate the audit is because we have the power to do so. We indicate our lack of financial resources to follow through. Maybe our first step should be to get copies of the State audits.

ASSEMBLYMAN KELLY: You mentioned on page 7:  
[Reading] "I am suggesting that in future transit and development planning, the Port Authority should consider explicitly the economic impact on Newark and Newark residents." There are so many items that you have in here. Have you ever spoken to the Port Authority to come in and do some planning with you regarding the possibilities of the commercial traffic or anything to do with Newark in any way to help you with that?

MAYOR GIBSON: We have spoken to them but we haven't been able to at this point get some real movement on planning these kinds of facilities. Of course, we would like to have that as a priority in the future.

ASSEMBLYMAN KELLY: I have no further questions.

ASSEMBLYMAN RUSSO: May I ask a question?

ASSEMBLYMAN WILSON: Yes.

ASSEMBLYMAN RUSSO: Mayor Gibson, as a result of the Port Authority being out in the area of Newark, do you have any figures to let us know how many jobs the City of Newark gets as a result of the Port Authority being there?

MAYOR GIBSON: I don't have the exact figures, Assemblyman. But I would admit, and I think rightly so, that many of the people who work at the facilities in the area are Newark residents. And I pointed out this fact here. The exact number I don't have. This is of good economic benefit to our citizens in Newark.

ASSEMBLYMAN RUSSO: This is the figure that I would like to know. If you can get that figure, I would be very interested.

MAYOR GIBSON: We will get that.

ASSEMBLYMAN RUSSO: Another thing I would like to know is the calibre of the jobs that the people of Newark get as a result of being employed by the Port Authority. Can you let me know that one too?

MAYOR GIBSON: Yes, sir. We will research and get the best statistics we can gather.

ASSEMBLYMAN RUSSO: Thank you.

ASSEMBLYMAN WILSON: I would like to announce that now we have two additional members of this joint hearing panel. We have Assemblyman Koppell from New York and we have Assemblyman Esposito from Jersey City.

I would just like to clarify one point concerning the audit. At our first hearing that we held last Friday, Mr. Levit, who is the Comptroller of the State of New York, said he would be more than willing to cooperate with the State of New Jersey in their undertaking at this present time. Arthur Levit is conducting an audit and in turn if the State of New Jersey would work with the State of New York, we would save a great deal of money and in turn have information that you could use and that both states could use. I think this may be the direction that may be undertaken.

Assemblyman Koppell, do you have a question?

ASSEMBLYMAN KOPPELL: Mayor Gibson, who runs the subway system? You have mentioned the city subway system on page 7.

MAYOR GIBSON: The city subway system's physical

plant facilities are owned by the city, but they are presently operated by the Public Service Company here in Newark, at a loss by the way.

ASSEMBLYMAN KOPPELL: Has the Port Authority ever been asked to assist with the expansion or development of that system?

MAYOR GIBSON: They have been asked verbally certainly by myself. I don't know how official those communications have been in previous years. My discussions have been to deal with not only that takeover but an expansion of that to provide a better mass transit system between downtown Newark and its surrounding areas and between downtown Newark and the Newark Airport and Port facilities.

ASSEMBLYMAN KOPPELL: Do you have the impression progress could be made with the Port Authority on that?

MAYOR GIBSON: Well, I would hope so. I have a problem right now because we deal with this whole question of whether or not it becomes revenue-producing or will be operated at a loss. I quite frankly believe that we should be able to move from downtown Newark to the Port and Airport facilities and possibly be able to do it without a loss.

ASSEMBLYMAN KOPPELL: Do you feel that the legislators or the Legislatures of the two states should look into the question of changing, if at all possible, the law so that the Port Authority could assume some deficits?

MAYOR GIBSON: Yes.

ASSEMBLYMAN KOPPELL: Do you think that is a profitable route to follow?

MAYOR GIBSON: Again I am not a financial expert. But when you deal with surpluses, as I view them -- I have a \$70 million deficit in the City of Newark -- but when somebody tells me you are dealing with \$55 million which can be considered in my opinion a surplus, it seems that we possibly can deal with some things that may be small deficit operations.

ASSEMBLYMAN KOPPELL: Thank you.

ASSEMBLYMAN THOMAS: Mayor, do you support a rail link tie-in between Penn Station and the Newark Airport?

MAYOR GIBSON: Yes, sir, absolutely.

ASSEMBLYMAN THOMAS: Do you know whether or not a firm decision has been made in order to accomplish that result?

MAYOR GIBSON: My information again, as best I have been able to gather, is that the present plans are to improve the North Elizabeth Station in Elizabeth, New Jersey, and tie that in with the Penn Central operation which exists, which then would be a direct tie-in to Penn Station and the remaining Penn Central operation into New York City.

ASSEMBLYMAN THOMAS: Do you know what the cost is to the city of the services that you supply for Port Authority purposes? You mentioned two prime ones, police and fire.

MAYOR GIBSON: I don't have those exact figures with me, Assemblyman, but we can get them.

ASSEMBLYMAN THOMAS: Are there any other services that you supply to the Port Authority?

MAYOR GIBSON: We deal with a coordinator agreement and the exact delineation of, for instance, street cleaning and snow removal, I am not sure of. But I am sure that some of our sanitation services include the area of the Port Authority District in Newark.

ASSEMBLYMAN THOMAS: With respect to this lease that was negotiated before your term in office, have you been able to determine what the anticipated rental will be for 1971? I note you have a guarantee of \$579,000. But that could be more because as I view your statement, you indicate that the amount of the lease is to be determined on the basis of a percentage of net revenues.

MAYOR GIBSON: That is true.

ASSEMBLYMAN THOMAS: So do you know what the anticipated revenues are for 1971 so that we could in turn know whether or not you will receive more than the \$579,000?

MAYOR GIBSON: No, sir, we don't have those figures available right now. The best figures would be coming from the Port Authority officials themselves.

ASSEMBLYMAN THOMAS: Apparently as part of this deal, there was a \$4 million advance made to cover future rental payments. Were those rental payments for the years '71 through '75?

MAYOR GIBSON: '71 through '75 - yes.

ASSEMBLYMAN THOMAS: Then would it follow that until the net revenues exceed a point where the city is going to receive as rental more than \$1 million, you will not receive any money from the Port Authority in the years '71 through '75?

MAYOR GIBSON: I am sorry. I didn't clearly understand the question.

ASSEMBLYMAN KELLY: Would you rather have someone sit up with you, counsel perchance? We will have another chair put there for your assistant.

ASSEMBLYMAN THOMAS: Mayor, I understand that the city back in 1966, or sometime between 1966 and 1970, received an advance on rental of \$4 million.

MAYOR GIBSON: Yes, sir.

ASSEMBLYMAN THOMAS: Do I understand correctly that this advance was to be applied toward rentals that the city would receive between 1971 and 1975?

MAYOR GIBSON: That is correct.

ASSEMBLYMAN THOMAS: So that would it then follow that if the revenues, the net revenues, derived from the operation of Newark Airport are not sufficient to provide you with a throw-off of more than one million dollars, whatever your percentage of net revenues may be with the Port Authority, that you won't receive any rental income from them for the years 1971 through 1975?

MR. KRAUSKOPF: Perhaps I can clarify that.

ASSEMBLYMAN THOMAS: Will you tell me who you are first, please.

J A C K K R A U S K O P F: Yes, I am Jack Krauskopf.

ASSEMBLYMAN THOMAS: And what is your title?

MR. KRAUSKOPF: Office of Newark Studies, a part of the Mayor's staff.

The lease that was renegotiated in 1966 provided that a \$4 million payment would be made at that time as an advance against any future additional rent payments that the Port Authority would owe to the City of Newark based on a percentage of net operating revenues from the Port Authority. This is apart from the guaranteed annual rent that that lease provides, the guaranteed annual rent being \$1 million a year from 1966 through 1970, a reduction to \$579,000 a year from 1971 to 1974, during the time that the expansion of Newark Airport was being undertaken, and then again from 1975 through the rest of the period of the lease of \$1 million a year guaranteed rent. But the \$4 million is sitting there which was paid in 1966 as an advance against future rent payments and it will be quite a while, we think, before the Port Authority owes the City of Newark anything beyond that \$4 million advance.

ASSEMBLYMAN THOMAS: Then is the \$4 million to be used to pay any excess over the minimum guarantee?

MR. KRAUSKOPF: Yes, sir.

ASSEMBLYMAN THOMAS: I see. So you will receive part of that \$4 million if your percentage of net revenues exceeds the minimum figure?

MR. KRAUSKOPF: That \$4 million was received in 1966.

MAYOR GIBSON: Assemblyman, we won't receive additional monies.

ASSEMBLYMAN THOMAS: I understand. You already got it.

MAYOR GIBSON: We already got it. Or they already got it in 1966. It is gone.

ASSEMBLYMAN THOMAS: By the same name, "Gone With the Wind"?

MAYOR GIBSON: It is gone. So what I am saying is

that if we were to under the agreement be entitled to additional funds beyond the minimums, that money would be deducted from what has already been paid.

ASSEMBLYMAN THOMAS: And you mention that your lease ran until the year 2016.

MAYOR GIBSON: Yes.

ASSEMBLYMAN THOMAS: The City of Newark now has a lease with the Port Authority that goes to 2016?

MAYOR GIBSON: Yes, sir. That is that 50 years that we are talking about.

ASSEMBLYMAN THOMAS: And does that lease call for a guaranteed income of one million dollars after 1975?

MAYOR GIBSON: That is true, after 1975.

ASSEMBLYMAN THOMAS: What percentage of net revenues constitutes your rental from the Port Authority?

MAYOR GIBSON: Do we have that figure? We don't know exactly what that figure is, but we can get it. Again it would best come from them.

ASSEMBLYMAN THOMAS: Do you have any figures that would indicate to you that you could after 1975 anticipate receiving something more than a million dollars from the Port Authority?

MAYOR GIBSON: Not at this moment. You see, we would have to exceed by far the \$579,000 figure in order to have the \$4 million debt in effect that we have --

ASSEMBLYMAN THOMAS: I understand.

MAYOR GIBSON: [Continuing] -- before we could do that. I doubt very much in the next four years, we would be able to start to anticipate receiving more than a million dollars in 1975 since we owe \$4 million in effect.

ASSEMBLYMAN THOMAS: Do you have any specific recommendations of legislation that you would like to see enacted to provide a better atmosphere vis-a-vis the Port Authority and the City of Newark? Can you make some specific recommendations for the Legislature?

MAYOR GIBSON: Yes, sir. The most specific one is

the one that I referred to in the statement and, that is, that the City of Newark should be able to tax, as it would tax any other commercial property in the city, those commercial properties which are not directly and specifically related to the normal and statutory operations of the Port Authority.

ASSEMBLYMAN THOMAS: Do you have advice from legal counsel as to whether or not such legislation would be constitutional, legal or valid?

MAYOR GIBSON: Our legal counsel says that once the legislation was passed by the two Legislatures which in effect created the Port Authority, then it would be valid.

ASSEMBLYMAN THOMAS: Thank you.

ASSEMBLYMAN WILSON: At this time I would like to announce that Assemblyman Reilly is here from New York City.

The only thing we have to remember is to hold back our questions a little bit because Commissioner Kellogg has to leave at 12:15 and we want to have an opportunity to ask him questions. So in turn, if we could try to hold down questions ---

ASSEMBLYMAN RUSSO: One last question: You mentioned in your report about the commissioners that serve on the Port Authority. Do you have any facts in reference to the statement that you made about the commissioners not being urban-minded?

MAYOR GIBSON: Let me be very clear that I am not here in any attempt to cast any bad light on the commissioners. I think they are doing a great job. What I am suggesting is that Newark, New Jersey, is a very urban city and we have some serious problems, and the commissioners which are presently sitting are not as related to these problems and haven't been historically, as I would like to see them.

I recognize that one of our new commissioners, a very old friend of mine, has been appointed there. He is a

resident of Newark and knows Newark's problems. I would like to see, say, a more urban commissioner appointed the next time so that the urban problem, the Newark problem, can be better related in the discussions and deliberations of the Commission.

ASSEMBLYMAN RUSSO: Thank you very much.

SENATOR RINALDO: Mayor Gibson, I believe earlier in your testimony or during the question and answer period, you stated that renegotiations with the Port of New York Authority are currently underway.

MAYOR GIBSON: I didn't say that.

SENATOR RINALDO: They are not currently underway?

MAYOR GIBSON: No, sir.

SENATOR RINALDO: You did say that there was an attempt at renegotiations - you have met with them. You said specifically that there have been meetings, that you have met with Mr. Tobin and the Commission. Is that correct?

MAYOR GIBSON: Right. And I have instructed our counsel to look into the present agreement with the view toward sitting down with their legal people to begin renegotiations. We haven't gotten to the point where we are negotiating the provisions in the contract.

SENATOR RINALDO: In other words, there have not been any renegotiations as of this date.

MAYOR GIBSON: That is true.

SENATOR RINALDO: Did the Port Authority indicate to you in any way that they would be willing to renegotiate?

MAYOR GIBSON: Well, they indicated, yes, that they would be willing to renegotiate. We haven't come to a situation where they have said, "We are not going to talk to you about the provisions of the contract." That would be completely unfair.

SENATOR RINALDO: Do you have any time table in mind? Could you give me some idea as to when your people intend to take the initiative, for example, and begin these renegotiations?

MAYOR GIBSON: As soon as possible.

SENATOR RINALDO: Thank you.

SENATOR DEL TUFO: Mr. Chairman, considering the time, I got my answers through Senator Rinaldo's questions.

ASSEMBLYMAN WILSON: Fine. Thank you very much, Mayor. We appreciate your coming and offering the testimony that you have given us and we thank you for it.

MAYOR GIBSON: Thank you.

ASSEMBLYMAN WILSON: I would now like to call Commissioner James C. Kellogg, who is Chairman of the Port of New York Authority Commissioners.

[Mr. Tobin and Commissioner Jones accompany Commissioner Kellogg to the table for witnesses.]

I believe we only need the one Commissioner and maybe one person with him.

W A L T E R H. J O N E S: Assemblyman Wilson, my name is Walter Jones. I would like to know whether you have an objection to my being here. I am a Commissioner of the Port of New York Authority and I have been asked by Mr. Kellogg to sit with him because he is not used to legislative hearings and since I have been of some slight service to the state in the Legislature, he felt he would be comfortable with me. Is there any objection to that, sir?

ASSEMBLYMAN WILSON: No. It was just the fact that I was surprised when I saw everybody moving up at one time. I thought maybe we were going to have a Board meeting right now.

J A M E S C. K E L L O G G, III: I apologize, and thank you very much.

I would like to tell Mr. Kelly that I am glad that it wasn't our tunnel that held up the New York people.

[Statement read by Commissioner Kellogg follows.]

**STATEMENT OF  
JAMES C. KELLOGG III, CHAIRMAN  
OF  
THE PORT OF NEW YORK AUTHORITY  
BEFORE THE  
NEW YORK STATE ASSEMBLY COMMITTEE ON CORPORATIONS, AUTHORITIES AND COMMISSIONS  
AND THE  
AUTONOMOUS AUTHORITIES STUDY COMMISSION OF THE NEW JERSEY LEGISLATURE**

**MARCH 12, 1971**

Mr. Chairman and Honorable Members of the Legislatures of New Jersey and New York. I am James C. Kellogg, III. I am Chairman of The Port of New York Authority and I am here this morning in response to the invitation of Chairman Wilson.

On behalf of myself and my fellow Commissioners, I wish you to know that we consider it a privilege as well as a duty to appear here to assist you in your study of the matters relating to the Port Authority which you have under consideration. As we understand it, you are presently concerned with the relationship of The Port of New York Authority to mass transportation in the New Jersey/New York Metropolitan area and with the matter of in-lieu of tax payments by the Port Authority.

I am accompanied here today by Commissioner Walter Henry Jones. As you know, Senator Jones served both as an Assemblyman and as a Senator in the New Jersey Legislature for a long and distinguished period. Also present are various members of our Port Authority staff including our Executive Director, Austin J. Tobin, who will endeavor to provide such detailed information as you may request.

You will recall that Mr. Tobin made a full presentation of the Port Authority's position on the matters under inquiry at your hearing last Friday in New York City. Mr. Tobin's statement had been submitted to and approved by the Board of Commissioners.

I shall not attempt to duplicate our presentation of last week. But it is important that certain basic concepts that the two States established in creating the Port Authority be restated, since they have governed our past and are critically important to your evaluation as to what should be the Port Authority's role in the future.

The Port Compact of 1921 between the States of New Jersey and New York, which laid down the basic framework for activities of the Port Authority, sets forth the belief of your two Legislatures:

"... that a better coordination of the terminal, transportation and other facilities of commerce in, about and through the Port of New York, will result in great economies, benefiting the nation, as well as the States of New York and New Jersey . . ."

And your recognition that:

"The future development of such terminal, transportation and other facilities of commerce will require the expenditure of large sums of money and the cordial cooperation of the States . . . in the encouragement of the investment of capital and in the formulation and execution of the necessary physical plans . . ."

To accomplish these purposes the Compact created the Port Authority consisting of 12 Commissioners, six from New Jersey and six from New York. It has been my privilege to serve the States as one of the New Jersey Commissioners continuously since June 13, 1955, and to serve as Chairman of the Authority since 1968. You will recall, Chairman Wilson, that I was unable to be present at the hearings of your Committee on March 3, 1969 and that Commissioner John J. Clancy of Newark extended my apologies to you.

You may remember that Commissioner Clancy reported to you that our Board of Commissioners meets on the second Thursday of every month, at which time it formally exercises its responsibility under the Port Compact to determine those transportation and commerce facilitation policies that fall within its purview. These formal actions, however, constitute only the final moves of an extended sequence of activities that starts much earlier. The By-laws of the Port Authority establishes four standing Committees, and each member of the Board is a member of two of these Committees, except in the case of the junior Commissioner from each State who has membership on one Committee. These Committees meet usually on the last Wednesday and the first Thursday of each month. Attendance at the regular meetings of the Board and of the Committees of the Board, which involve my associates on an average of three times a month, is of course important in and of itself. But the preparation for those meetings is equally, if not more, important. In the first place, we are afforded a continuous review of the activities of the agency through regular staff reports which keep us abreast of the major developments in the wide array of transactions that are conducted by this multi-phased Authority. The reports oftentimes require considerable discussion and questions on the part of the Commissioners, questions that are addressed to Mr. Tobin as the chief operating officer and questions that are addressed to departmental directors.

Ultimately, staff research and study are crystalized in a detailed report to the Commissioners which oftentimes includes a proposal for action. In its early stages, the proposal is tentative and is advanced as the basis for discussions, meetings and executive sessions of the Commissioners. On an important policy proposal, when there is sufficient conviction on the part of the Commissioners that it should be carried further, discussions are then begun with state and local officials, whose cooperation and approvals would be needed to effectuate the plan. Eventually, when a definitive recommendation emerges from the staff, it is presented as an "agenda item," on the calendar of matters to be considered by one of the standing Committees at its regular meeting. The agenda item is a detailed review of the proposed action and the facts and views supporting the staff's proposals. These are provided to the Commissioners well in advance of the meeting date. Commissioners frequently have questions which they take up with Mr. Tobin prior to the meeting, by telephone as a rule.

At the Committee meeting, Mr. Tobin reviews the matter again, and any further questions are discussed in depth. If approved, the item is recommended to the Board for its approval.

I should note that the proposals themselves, of course, may have arisen from a wide variety of sources. Some have been initiated at the suggestion of state and local officials, some by civic groups or other members of the public sector, and many by members of the Board of Commissioners.

Because of the gubernatorial veto power, any proposal possibly affecting state policy is reviewed with the Governors' office before it appears on our calendar. And I can assure you that on these and other matters of major Commissioner concern, such as the studies I shall describe later, there are innumerable conferences, meetings, -- formal and informal -- telephone conversations and the like. As Chairman, I am in touch with Mr. Tobin on very nearly a daily basis, including many weekends.

Based upon my long experience as a member of the Board of Governors and Chairman of the New York Stock Exchange, I can assure you and the members of your Committees that the affairs of The Port of New York Authority are conducted above and beyond the highest standards of responsible private corporation directorship. The members of our Board thoroughly respect and understand the policy sovereignty residing in the Governors of the two States, and they also recognize and exercise their own responsibilities for establishing the policies to guide the affairs of this public agency in accordance with the underlying laws and policies of the two States. The day-to-day administration of these policies, is, of course, delegated to our able staff under the leadership of Austin Tobin.

Executive Director Tobin, in the statement filed at your prior joint hearing in New York on March 5th, detailed for you the facts as to the terminal, transportation and other facilities of commerce which have been provided for the benefit of the two States by the Port Authority in its efforts to comply with the objectives of the Compact. I am pleased to confirm to you that, during my tenure as a Commissioner, the cordial cooperation of the Commissioners representing the two States and the Governors and Legislatures in connection with the Port Authority's programs has been consistent and constructive. Without such cooperation and support, the work of the Authority would have been impossible.

One of my direct experiences with regard to that cooperation -- and one most relevant to one of the subjects you are considering today -- is reviewed in detail in the 1963 Report of the Special Investigating Committee of the New Jersey Senate. The Committee considered, among other things, the relationship of the Port Authority to the commuter rapid transit requirements in the area of Northern New Jersey. At the hearing of that Committee in Newark on January 27, 1961, I was pleased to advise the Committee that, subject to the State providing certain assurances to prospective bondholders which would make the bonds saleable, the Authority would be able to go forward with the acquisition and rehabilitation of the old Hudson and Manhattan Railroad. After a full and detailed study of the history, financial structure, fiscal policies and potential of the Authority, that New Jersey Senate Committee found:

“... that the Port Authority could not assume responsibility for the complete burden of the deficit-ridden commuter railroad problem in the area of Northern New Jersey and New York. If the Port Authority were to receive such unrestricted responsibility, there is no question but that its credit position would be seriously impaired, if not destroyed, and it would become impossible for the Authority to continue to move forward either with such a rail program or with other vital transportation and terminal facilities and other facilities of commerce desired by the two States in continuing the Port Authority's tradition as a public agency.”

It was, therefore, as a result of careful study and reasoned and necessary conclusions, that the 1962 Legislatures enacted the limitation on the Authority's further participation in deficit rail commuter operations described at length by Mr. Tobin last week. Incidentally, as the Committee Report indicated, the Legislation was sponsored in New Jersey by the full membership of that bi-partisan Committee and passed unanimously with only one abstention in each House.

By virtue of that legislation, we have been able to acquire, rehabilitate and continue to operate the bankrupt Hudson Tubes. \$139,000,000 has already been invested to bring PATH to the stage where it is now one of the most modern commuter railroads in the country. Completion of the PATH program will involve an additional investment of \$93,000,000.

Without the covenant with bondholders made by the States in 1962, that program would never have been possible. With the covenant, the two States have achieved – to quote the Compact – “the encouragement of the investment of capital –” in PATH despite the fact that it incurs and must continue to incur huge deficits. Those deficits notwithstanding, we have been able, by virtue of your wisdom, as expressed in that legislation, to go forward, not only with that specific commuter rail program, but also with the work of providing and improving other vital terminal and transportation facilities entrusted to us by your two Legislatures. We are hopeful that this ability will continue and that, within the statutory limits you have fixed, we will be able to be of further assistance to the States in all proper areas, including the rail transportation area in the future.

As a resident of Elizabeth, I point with particular pride to the Elizabeth Marine Terminal – the world's container capital made possible by the Port Authority's investment, through the sale of revenue bonds, of over \$108 million. The completion of that facility and our other pier and dock projects will involve borrowing and investing at least another hundred million dollars over the next five or six years.

With reference to the Port Authority's future endeavors in mass rail transportation, at its meeting on February 11, 1971, the Commissioners directed the staff immediately to organize and develop the essential programs for undertaking a thorough examination of Governor Cahill's proposals of February 4, 1971, which Executive Director Tobin listed in his statement to you on March 5th, and to report back to us as promptly as possible. The Governor has been advised of this action and has asked that the Commissioners from New Jersey meet with him on March 16th to discuss these matters. We will, of course, do so and will do everything we can to cooperate with him and the two States within our financial and legal capabilities. Parenthetically, I should note that I serve on Governor Cahill's Committee on Transportation. This Committee, under the Chairmanship of Transportation Commissioner John C. Kohl, is comprised of the chairmen of the seven New Jersey public transportation agencies, including The Port of New York Authority.

As Mr. Tobin mentioned in his statement before your joint hearing on March 5, Governor Cahill and Governor Rockefeller established the Inter-Agency Task Force in March 1970, with the objective of determining the improvements required in interstate public transportation between the States of New Jersey and New York. The Inter-Agency Task Force is comprised of Commissioner Kohl for the New Jersey Department of Transportation, Dr. William J. Ronan, Chairman of the Metropolitan Transportation Authority in New York, and Mr. Austin J. Tobin, Executive Director of The Port of New York Authority. The Task Force, together with staff representatives of the three agencies, commenced this investigation immediately after its establishment in the spring of 1970. As Mr. Tobin advised the Committee on March 5, the Task Force has recently completed its first report, summarizing its findings and recommendations. The report was released yesterday and we have copies for your information and use.

Roger H. Gilman, our Director of Planning and Development, represented the Port Authority in the Task Force staff investigations and meetings and is here today if your Committee wishes to have him describe the highlights of the report. The Port Authority Board of Commissioners reviewed this report at its January 14, 1971 meeting. In its action of February 11, the Board noted that Governor Cahill's proposals closely paralleled those embodied in the Inter-Agency Task Force report and that the work of this Task Force will provide a valuable base for the development of a specific program of public transportation improvements and also the framework for continuing joint efforts between the two States and the Port Authority.

At the March 5th hearing, Senator Del Tufo and Assemblyman Thomas expressed particular interest in the details of our current thinking as to providing rail access to Newark Airport. At our Board meeting yesterday, we retained Kaiser Engineers Corporation to assist us in this program. Mr. Gilman would also be prepared to advise you in detail as to the current status of the plans for that project.

Thank you.

ASSEMBLYMAN WILSON: Thank you, Mr. Kellogg.

Yesterday I was surprised at what I read in a newspaper column and I wish you would clarify it for me. Referring to the construction of the World Trade Center, it said that a total of 9 people had been killed and 5,000 had been injured since the start of that construction. Are they accurate figures?

COMM'R KELLOGG: I wouldn't think so. I don't know. I can get them for you though.

ASSEMBLYMAN WILSON: Would Mr. Tobin happen to have the figures? It was in a column that I just happen to glance at yesterday.

MR. TOBIN: I didn't see the figures, Mr. Chairman, of the people that have been killed on the Trade Center project. People have been injured and we have a complete medical setup down there, also the back-up facilities of the Beekman Downtown Hospital, all of which is part of the whole safety program. I don't know, but the number seems high to me.

ASSEMBLYMAN WILSON: That is why I was questioning it.

MR. TOBIN: The last number I heard was 6 or 7, I am not sure.

ASSEMBLYMAN WILSON: Would you check that because it said 9 had been killed and 5,000 had been injured.

MR. TOBIN: Five thousand?

ASSEMBLYMAN WILSON: Five thousand, yes. That happened to be in a syndicated column. So if you will check that out ---

Mr. Kellogg, I had some research done a while back and I asked Mr. Clancy some questions and I would like to ask you similar questions. I had research done in which they studied the minutes for '66, '67 and '68, and during all three years, there was only one time when the commissioners met that all 12 were present. I was surprised that out of three years, there was only one time in '66, '67 and '68 that you had all 12 commissioners present. To me, that doesn't show good attendance. Would you comment on that?

COMM'R KELLOGG: Well, a lot of the commissioners sometimes are away and sometimes they are sick. In the last year or so, Mr. Lasker, who is Chairman of the Board of the New York Stock Exchange, has been very busy and we have given him a leave of absence so he didn't have to come to the meetings.

ASSEMBLYMAN WILSON: This wasn't last year. This was in '66, '67 and '68.

COMM'R KELLOGG: I would think any time you had a group of this type, there wouldn't be a full quota coming. That would be true of the Senate of the United States or your Commission or the Assembly or the Senate.

ASSEMBLYMAN WILSON: In considering this subject further, it came to an average for each commissioner, by dividing the total number of hours - these are from your official minutes -- the average Commissioner served during those three years 8.6 hours per year. This was gathered from your actual minutes of the meetings, the time the meeting started and the time it adjourned, and it came to a total of 8.6 hours per Commissioner a year as far as your regular meetings and 2.4 as far as PATH.

COMM'R KELLOGG: The Commission is just like a board of directors. We have official meetings every month, but we meet and I work all the time with Mr. Tobin, as I said in my statement here. I am on the telephone with him

two or three times a day. I meet and go over the figures with him. I go over the figures with city officials. I see the Governor. I work at this very hard and spend long hours and so do the other commissioners.

The official meeting, which we have already gone through before at the committee meetings, might last only 45 minutes. I think that has nothing to do with it. The fact is this is a board of directors of the commissioners and we sit there and O.K. these official meetings. The press is there. Anybody is allowed to come. We are in a fish bowl. We sit there and go over the minutes. But after that we have an executive session that might last two or three hours and we always meet about an hour ahead of time in Mr. Tobin's office before the meeting.

ASSEMBLYMAN WILSON: You have an executive session before, which may be an hour or two, and then an executive session after.

COMM'R KELLOGG: That's correct.

ASSEMBLYMAN WILSON: And the formal meeting may only be 45 minutes long.

Commissioner, the Mayor of Newark made a statement in which he said that the Port Authority Commissioners in his opinion were individuals that were steeped in business and financial experience, but in turn, he did not feel that enough of them -- and he did not impugn the integrity of the Commissioners - but he said there weren't enough Commissioners that represented or would be interested in the problems of an urban area or society. Would you like to comment on that?

COMM'R KELLOGG: Well, I live in an urban area. I live in Elizabeth, New Jersey, and I take great interest in the town. You know my background. I have always been interested in all the charities. I can say now that we have had a very good relationship with the Mayor. We are very sympathetic with his problems. We have worked very hard with him. We have gone to Washington with him and the

Governor to work out a lot of his problems. I have met with him four or five times over in Newark just on these matters alone and nothing to do with the Port or the Airport. I would say I believe all the commissioners have a great deal of sympathy for him and his problems. It is probable that since the early '30's, no town has been in such a financial shape as Newark is today.

ASSEMBLYMAN WILSON: Since you have been a commissioner since 1955, such a long period of time, would you state to me what you feel is the role of a commissioner, succinctly stated. You went in great detail in your statement, but just tell us succinctly.

COMM'R KELLOGG: Well, the commissioners are the board of directors of one of the largest and best-run organizations in the world. We hire a leader to run that, and a staff. He is a brilliant, imaginative, dedicated leader.

ASSEMBLYMAN WILSON: I am asking about the commissioners.

COMM'R KELLOGG: Well, I am saying this is what the commissioners think. This is how I think. You asked me how I thought.

ASSEMBLYMAN WILSON: I asked what is the role of a commissioner. You have six representing the State of New Jersey and six representing the State of New York. What is the role of a commissioner, say, for example, in your case, who represents the State of New Jersey.

COMM'R KELLOGG: Well, I am always representing the State of New Jersey.

ASSEMBLYMAN WILSON: Good, but what is your role? Do you feel that you are ---

COMM'R KELLOGG: We are running the Port Authority from a director's point of view. We hire the best people we can and I think we have the best, as I have reiterated. He is the most brilliant, imaginative, and dedicated leader

that I know of. And I think the Port Authority is one of the most outstanding organizations in the country. And I think everybody in the State of New Jersey thinks that too.

ASSEMBLYMAN WILSON: Let me rephrase the question. Let's say this: As a commissioner - and we have six commissioners - your responsibility is to represent the wishes of the State of New Jersey and the Governor and the Legislature and I guess all the citizens. Is that correct?

COMM'R KELLOGG: That is correct.

ASSEMBLYMAN WILSON: In turn, at this time, the State of New Jersey - and I am pretty sure there is quite a consensus of opinion - is very interested in the Port Authority getting more involved in the field of mass transit. Is that correct?

COMM'R KELLOGG: I read that in the papers, yes.

ASSEMBLYMAN WILSON: Now what amazes me, since you are a Commissioner from New Jersey and the Governor appointed you and, in turn, you have said you have been in contact with Governor Cahill, that, number one, he would make a statement as he did at the Chamber of Commerce affair in Washington, at which he took off his gloves, so to speak, and even mentioned a threat to veto the minutes. And I just happened today to see on the front page of one of the largest newspapers in the State - and I didn't read the article - a headline to the effect that Cahill blasts the New York Port Authority. Now if there is such a close liaison between the State of New Jersey and the Governor, why is it that the Governor of the State more or less has to take these shots in the paper or has to take these shots periodically?

COMM'R KELLOGG: We met with the Governor right after he was elected in Princeton. We have had a very cordial relationship with him. We said we would do anything in our power to help in any way. And I have been on the telephone with him and have met with him lots of times and he has been very cordial. I told him that we would do these things. I said that we would buy the Pennsylvania Station and I said

that we would make a connection to the Newark Airport and I said we would put STOL-ports in wherever he wanted them.

ASSEMBLYMAN WILSON: Yes, but, Commissioner, why, for example, in February, which was just last month, would the Governor have to make a statement of this nature, that "The relationship, however, between the commissioners and the Governor will have to be able to stand the strain of a much more aggressive, determined and stubborn approach." To me, those types of words, "aggressive, determined and stubborn approach to the failure of the Port Authority to respond in the area of New Jersey's transportation crisis," - it seems if you are the representative of the State and a representative of the Governor because he makes the appointments and then in turn the Senate confirms the appointments, why would the Governor of the State of New Jersey have to make a statement of that nature.

COMM'R JONES: Mr. Chairman, --

ASSEMBLYMAN WILSON: Excuse me. I am asking Commissioner Kellogg.

COMM'R KELLOGG: Could I ask Commissioner Jones to answer that?

ASSEMBLYMAN WILSON: No, I am asking Commissioner Kellogg.

COMM'R KELLOGG: I answered it once.

COMM'R JONES: May I have an opportunity to confer with Mr. Kellogg.

ASSEMBLYMAN WILSON: I would like the Commissioner to answer it.

COMM'R KELLOGG: I answered it, Assemblyman Wilson.

COMM'R JONES: If Mr. Kellogg is not to have the benefit ---

ASSEMBLYMAN WILSON: You may confer with him.

SENATOR DEL TUFO: Do you want to confer with him?

COMM'R JONES: Yes, I would like to.

SENATOR DEL TUFO: Go ahead.

COMM'R KELLOGG: Well, I really think I answered the question, but it is really unfair to ask me what is in the Governor's mind and why he made that statement.

ASSEMBLYMAN WILSON: All right. In your statement and in Mr. Tobin's statement of last week, we went through the niceties of how we have cooperation and so forth and how the legislators more or less have regulated the Port Authority through legislation, and how the Governor makes the appointments and has close liaison and so on. But it all doesn't seem to add up to make two and two equal four. To me, it comes out almost to three. Because I can't see the Governor of the State, if there has been this close relationship, in turn having to take this more or less hard stand.

Senator Rinaldo?

SENATOR RINALDO: Commissioner Kellogg, I copied down something you just said. You said, quote, you were sympathetic to the problems of the Mayor of Newark. And in response to a later question, you said, quote, ". . . always representing the State of New Jersey." You also said you are from the City of Elizabeth and I was glad to hear that because I was born in the City of Elizabeth myself. On the basis of the two statements you made, would you personally - and I don't think there will be any need for a conference here because I am asking your personal opinion as a commissioner - be willing to renegotiate and feel that the Port of New York Authority should renegotiate the current contract you have with the cities of Newark and Elizabeth?

COMM'R KELLOGG: We would be willing to discuss -- Elizabeth and Newark are entirely different. We would certainly be willing to discuss with the Mayor of Newark at any time. As for the City of Elizabeth, I read in the newspaper that Mayor Dunn wants more taxes which we can't pay. We are a government agency. You have set us up as a governmental agency. It is no different than the Federal

government putting a post office in the City of Elizabeth. They don't pay any taxes. We pay \$46,000 taxes to the City of Elizabeth. We have offered Mayor Dunn another \$110,000. We have offered him \$27,000 more a year. He complained about the Fire Department and the police calls. We had five police calls last year and eighteen fire calls. We have offered him a whole new fire station in Elizabeth. I happen to have grown up in Elizabeth and know that was a meadow - it was just a wild meadow out there - and we have built a whole port. Since the war - in Port Newark and Port Elizabeth there hadn't been one ton of cargo - but since that time and when Elizabeth is finished, we will be doing 80 per cent of the tonnage in all the Port district. No town, no city, pays any taxes and all are subsidized, as are their ports and their airports. There is no town in the world or in the United States that isn't subsidized, except the Port Authority.

Now Mayor Dunn has asked these things and I think he ought to know - I know all the other citizens of Elizabeth think this is the greatest thing that has ever happened to Elizabeth. The land was worth \$3500 an acre. It is now worth \$50,000 or \$60,000 an acre all around us. He gets ratables on that. There is a bank out there. It is a whole new industrial town, if you have been there.

SENATOR RINALDO: I have been there many times.

COMM'R KELLOGG: I think everybody should go there. This is the greatest container port in the world. And he should be very thankful, as the Port Authority was the only one that could have ever come in there and done that.

SENATOR RINALDO: The answer - and unfortunately I always have difficulty with Mr. Tobin, and he knows this ---

COMM'R KELLOGG: I apologize. I thought I did answer.

SENATOR RINALDO: [Continuing] -- in getting accurate responses to the questions that I ask.

COMM'R KELLOGG: I probably got a little worked up.

SENATOR RINALDO: No, I think it was a very good statement on behalf of the Port of New York Authority. I will be a little more specific. The valuation of the Port Authority land and the buildings that you have in the City of Elizabeth is currently \$90,702,150. That is assessed valuation, 50 per cent of true value. Now the Port since 1959 only paid the city an annual payment of \$36,217. What I am asking, in view of the tax burden that the Port places upon all the taxpayers in the city, don't you feel that this contract should be renegotiated? Or let me rephrase it and make it even easier. Would you be willing or would you not be willing to renegotiate this contract on a more equitable and sensible basis?

COMM'R KELLOGG: I think it is a very equitable basis. I just said, there isn't any port in the country that isn't subsidized. New Orleans gets \$6 million from the city. Last year they got \$31 million more to build docks. We have no taxing powers. It is in the statute that we are only allowed to pay exactly the amount that the previous private owner paid.

We can certainly sit down and discuss it with him. We have discussed this 67 acres that we took in '69 or '67 and we will continue to discuss with him the fire station, and we certainly will discuss it with him.

SENATOR RINALDO: I will make it once more - real simple. If you could answer this question yes or no, I would appreciate it. Would you be willing to renegotiate with the City of Elizabeth?

COMM'R KELLOGG: I said we would certainly be willing to discuss it with them, yes.

SENATOR RINALDO: Does that mean you would be willing to renegotiate?

COMM'R KELLOGG: We will discuss it with them. I don't know what renegotiation you mean.

SENATOR RINALDO: Renegotiation means this, as a legislator from Union County and also on behalf of Essex County, I think both Elizabeth and Newark should receive more payments, higher payments, in lieu of taxes. I kept getting the same thing last week from Mr. Tobin, he would be willing to talk. I said, "Would you be willing to renegotiate?" "No, we'll talk." Now, you know, renegotiation means --

COMM'R KELLOGG: Discuss means renegotiate and talk. We will certainly discuss it.

SENATOR RINALDO: All right. Then you are willing to renegotiate.

COMM'R KELLOGG: I didn't say that.

SENATOR RINALDO: Oh, well that's what I want to find out. We are dealing in semantics. You know, really I am a very nice guy, according to a lot of my friends, and I'm a patient individual, but I am determined to find out whether or not the Port of New York Authority is willing to renegotiate or pay more money - let me put it that way - to the city.

COMM'R KELLOGG: We are not allowed to pay any more money.

SENATOR RINALDO: Oh, yes, you can. You can renegotiate that contract.

COMM'R KELLOGG: Not by the statute. The statute says the commissioners can negotiate in lieu of taxes, except that we are not allowed to pay, by statute, any more than the last private owner. That is in the statute. You people put that in the statute.

SENATOR RINALDO: Would you be willing to support a change in the statute since this is such an unfair law obviously?

COMM'R KELLOGG: Well, I went all over that, I thought, in my statement, that there is no town or city in the country, no port, that isn't subsidized. And I don't see how we could ever carry on and do the work we do if we

continue to pay more taxes.

SENATOR RINALDO: You know, it is unfortunate that I am carrying over these questions from last week to Mr. Tobin. They weren't answered to my satisfaction then and they are not being answered now. Last week, after many hours of testimony, I walked out of the hearing with the distinct impression, correct or incorrect, that the Port Authority is not interested in getting into mass transportation unless it is a profitable venture, unless it is parochial to their interest, something they want to do.

COMM'R KELLOGG: The Legislature can do anything they want. I am just saying that we cannot pay any more taxes in Elizabeth unless you people decide that. That's part of the law.

SENATOR RINALDO: I just have one or two other brief questions. Do you know what the income is that is derived by the Port Authority on buildings in Elizabeth which are owned by the Port of New York Authority and leased to private companies?

COMM'R KELLOGG: No, but I can get you the figures.

SENATOR RINALDO: I would appreciate receiving the answer to that question.

I would also like to know what projections have been made as to the income the Port of New York Authority will derive from the portion of the new air terminal located in Elizabeth and also in Newark - income projections?

COMM'R KELLOGG: For Elizabeth?

SENATOR RINALDO: Elizabeth and Newark.

COMM'R KELLOGG: I will certainly get them for you.

SENATOR RINALDO: All right, fine. Is it equitable -- Well, let me put it this way: You do require municipal services and I know you said there were five police calls and eighteen fire calls, I believe.

COMM'R KELLOGG: We do the garbage collection, we do the street cleaning and we do the snow removal, and we have our own police force.

SENATOR RINALDO: Yes, on your own property. But let me finish the question.

COMM'R KELLOGG: I apologize.

SENATOR RINALDO: I think this afternoon Mayor Dunn will dispute those figures. But would you support legislation to require the Port of New York Authority to pay a municipality for services of this type? Even if there were only five police calls and eighteen fire calls, let's say we put it on the basis of so much per call.

COMM'R KELLOGG: I think the benefit that Elizabeth gets -- I know for one, and everybody else in Elizabeth thinks because the Port Authority is there that they certainly should be willing to give us that.

SENATOR RINALDO: When you say everybody else - I don't think the Mayor is going to agree with that statement.

COMM'R KELLOGG: Well, you can't argue about facts.

SENATOR RINALDO: The Port of New York Authority once again has neglected mass transit and built a World Trade Center, or currently is building it. Chairman Wilson alluded to that. I would like to know exactly what the anticipated value of the World Trade Center complex will be, not now, but when it is fully complete.

COMM'R KELLOGG: What was that?

SENATOR RINALDO: The market value of the World Trade Center complex.

COMM'R KELLOGG: Our cost is about ---

SENATOR RINALDO: Not your cost - your anticipated value.

COMM'R KELLOGG: Well, our cost would be \$625 million.

SENATOR RINALDO: That would be the market value when it is completed?

COMM'R KELLOGG: That is what we'd pay for it. I don't know what the market value would be.

SENATOR RINALDO: If I put up a house tomorrow that cost \$35,000, I may be able to sell it for \$50,000.

COMM'R KELLOGG: Well, I would think with the

real estate market in New York City, it probably wouldn't be worth what we paid for it.

SENATOR RINALDO: Possibly then, it is a poor venture.

COMM'R KELLOGG: I don't think it is. I think it is the greatest venture we have done.

SENATOR RINALDO: I think I will give someone else a chance.

ASSEMBLYMAN WILSON: Assemblyman Kelly?

ASSEMBLYMAN KELLY: You have six commissioners from New Jersey and six from New York, is that it?

COMM'R KELLOGG: Yes, sir.

ASSEMBLYMAN KELLY: Then you have Mr. Tobin who is the executive director?

COMM'R KELLOGG: Yes, sir.

ASSEMBLYMAN KELLY: Is he the only one who receives a salary?

COMM'R KELLOGG: The whole staff receives a salary. We receive no salary.

ASSEMBLYMAN KELLY: That's what I am trying to get at. In other words, the six commissioners meet occasionally at the request of the Port Authority or whoever makes up the agenda and you people come in and have your special meetings and your regular board meetings. Is that right?

COMM'R KELLOGG: That's correct.

ASSEMBLYMAN KELLY: Now you said something before about a report that was completed as of yesterday. Have you copies of that report here?

COMM'R KELLOGG: Yes, we have. We will pass them out.

ASSEMBLYMAN KOPPELL: Mr. Chairman, could we have those before Mr. Kellogg completes his testimony because there might be some questions we might like to ask.

ASSEMBLYMAN WILSON: The only thing, Assemblyman, Mr. Kellogg has to leave. Do you have to leave exactly

at 12:15? Can you stay five minutes longer?

COMM'R KELLOGG: Five minutes. I am getting a quarter of one plane.

SENATOR DEL TUFO: What is the good of his appearing before us today if we can't have the opportunity of questioning and are cut short. The best thing to do is to excuse him and let him come back when we can talk to him and ask him questions. This is very unfair. I wouldn't have shown up if I knew this.

COMM'R KELLOGG: I apologize. I wrote the Chairman that and I said I would be here any time - nine o'clock or after. And I thank you very much, Mr. Chairman.

ASSEMBLYMAN KELLY: Suppose there was a question of priorities. You heard Mayor Gibson this morning say that he needs help with the subways and what not. Mayor Lindsay also said he needs help with his subways. Suppose there was a case of priorities here. Would you help one above the other or how would you decide on a priority?

COMM'R KELLOGG: Well, the Newark subway is owned by the Public Service.

ASSEMBLYMAN KELLY: We also know that the MTA owns the New York City subway. Suppose both are asking for help or a loan. Would you be against such a thing as that?

COMM'R KELLOGG: We would be willing to sit down, as I told the Mayor, on any of these things - we would love to sit down and discuss them with him.

ASSEMBLYMAN KELLY: Suppose you made loans. Assume that you did. How would you do it? Would it be the full faith of the city involved or how would it be done?

COMM'R KELLOGG: Well, I would think that if the city was going to put their full faith and credit on it, they could make the loan themselves.

ASSEMBLYMAN KELLY: Suppose they wanted to go through you? I am talking about both cities now.

COMM'R KELLOGG: If it was supported by legislation, we would do it.

ASSEMBLYMAN KELLY: What I am trying to get at is exactly what you said. In other words, any move along the lines of mass transportation, you would have to have legislation for.

COMM'R KELLOGG: Yes. If each state put their faith and credit on the bond -- I think New York State has taken under this car lease about \$200 million worth of cars because they have the faith and credit of New York State on those bonds, on the Long Island.

ASSEMBLYMAN KELLY: In other words, you can't do this directly without, first, legislation, and secondly, without the full faith and credit of either state.

COMM'r KELLOGG: That's correct.

ASSEMBLYMAN KELLY: Thank you, Mr. Kellogg.

SENATOR DEL TUFO: Sitting here this week and last week -- Well, let me put it this way: The purpose of forming a Port Authority was for the benefit of the public but I detect here a feeling that the public is secondary to the bondholders, in spite of the fact that they are putting up so much money.

COMM'R KELLOGG: That isn't correct.

SENATOR DEL TUFO: May I finish?

COMM'R KELLOGG: I apologize.

SENATOR DEL TUFO: Shouldn't the interest of the public be first?

COMM'R KELLOGG: Yes, the public would definitely come first. But we also have to have credit of the bondholders. We don't have any taxing powers. So it is only the faith of the people that buy our bonds and the public. It is not the state or the banks, but the public that buys our bonds. If they don't have faith in them, we couldn't sell one bond.

SENATOR DEL TUFO: It seems that every compact you make with - well, it has got to be with both states - you get a

quid pro quo, a consideration, which sort of ties the hands of the cities and does not benefit the particular cities involved. For example, the taking over of PATH which involved both states - we'll take over PATH providing you don't commit us to deficit spending. We will give a few more dollars to the City of Newark where they had a law suit. But in my estimation the amount given to the City of Newark from the inception was unconscionable. I think that the Equity Court and the Superior Court in the State of New Jersey would consider it as an unconscionable compact and give more money to the city. So you agreed to give them a million dollars, but you put in that agreement that the rent will be reduced during the improvement of the airport. Why should that be? Why is there always, using the vernacular, a gimmick, which benefits the Port Authority to the harm of the city involved? Why should that always be?

COMM'R KELLOGG: There is no gimmick to it. I think we have done a great thing for the City of Newark. That airport is one of the greatest things. I know for a fact that the Prudential when they built their new building would have moved away if it hadn't been for the airport being there.

SENATOR DEL TUFO: Mr. Chairman, do you know what that reminds me of? Years ago, there was - I think he was a match king - Krieger. He had so much wealth. But at this particular time he had a million dollar check in his hand and he couldn't cash it. He couldn't even buy food for himself. With all this aura of beauty and improvement, what real benefit in dollars and cents is the City of Newark or the City of New York getting out of it when they can just about meet their payrolls? Lindsay was going to lay off I don't know how many thousands of teachers. The City of Newark is ready for bankruptcy. Shouldn't there be a benefit to them in dollars and cents?

COMM'R KELLOGG: Well, I think there is a big benefit. I think before we took it over, they were losing \$18 million a year on it. I would say that was a great benefit.

SENATOR DEL TUFO: And I think it was for \$100,000, a paltry sum. But things have changed. You have become so affluent. You have got the money. You have so much money that you could build a World Trade Center while both New York and Newark are starving. I don't know about Elizabeth.

COMM'R KELLOGG: We put \$400 million in the airport in Newark.

SENATOR DEL TUFO: I know you did. But what benefit is the city getting out of it when over 65 per cent is untaxable property?

COMM'R KELLOGG: They are benefiting by it. As I said, every city benefits by the airport. There is not one city in the United States that doesn't support the airport.

SENATOR DEL TUFO: The Authority is aware of the fact that there is legislation which I have been trying to move in the Senate - it is bottled up - the smaller counties can't see the plight of the cities - where we want payment in lieu of taxes or comparable to the assessed valuation of the airport. In view of the fact that the Authority knows that this bill is bottled up, why shouldn't something be done to give the City of Newark more money in lieu of taxes?

COMM'R KELLOGG: The Legislature doesn't allow us to do it.

SENATOR DEL TUFO: I know, but there is a bill. You are opposing it.

COMM'R KELLOGG: We have never opposed any bill.

SENATOR DEL TUFO: The Legislature will allow you, as I understand the act, to renegotiate. You can go before the court.

COMM'R KELLOGG: We cannot go above what the last private owner paid.

SENATOR DEL TUFO: You can do it voluntarily. I know the courts have held that you can't be bound - that

it is up to the Legislature. That is the cute way the courts have of doing things. They come up with a beautiful opinion and say, it's up to the Legislature. You can do it voluntarily. I am using Senator Rinaldo as my crutch. It was done a few years ago. You did it a few years ago. Why can't you do it again?

COMM'R KELLOGG: That is a lease with the City of Newark. That is entirely different than Elizabeth. We own the property in Elizabeth. We lease the property from Newark. They are two different matters completely.

SENATOR DEL TUFO: On the matter of your meetings - and with this I am through - I will give others a chance - you say that your Commission has given a member of your commission leave of absence from attending meetings.

COMM'R KELLOGG: Not a leave of absence. I have to sign a paper that ---

SENATOR DEL TUFO: He doesn't have to attend meetings.

COMM'R KELLOGG: He does attend meetings, but he hasn't been there as much as he would like because of the problem that he has had with the Stock Exchange.

SENATOR DEL TUFO: With what?

COMM'R KELLOGG: The problem he has had with the Stock Exchange. It is Mr. Lasker. He is Chairman of the Board of the Stock Exchange.

SENATOR DEL TUFO: In my estimation, in fairness to the Port Authority and the people ---

COMM'R KELLOGG: Pardon me?

SENATOR DEL TUFO: In my estimation - and I say it publicly - he should resign.

COMM'R KELLOGG: Well, that may be your opinion. He has cleared it with Governor Rockefeller and Governor Rockefeller wants him there and he has been very helpful to us.

SENATOR DEL TUFO: He is not doing the job he should be.

COMM'R KELLOGG: And to accommodate him, we held one of our meetings in his office.

ASSEMBLYMAN WILSON: Assemblyman Koppell?

ASSEMBLYMAN KOPPELL: I am sorry, Mr. Kellogg, we can't have a little more time to talk about things. I will just ask one question. I have indicated my great concern over some of the restrictions that are in the law presently and in the bond covenants, and others have commented that these restrictions may be unnecessary. Indeed, I might comment on your statement about the passing of those restrictions and New Jersey having approved them. I would like to point out, at least according to the New York Times, Governor Rockefeller initially expressed great reservation over those restrictions. Be that as it may, would you be willing at this time to undertake with your staff, the Authority staff, with representatives of the financial community, investment banking community, and the trustees for the bonds, a study of whether some modification of these covenants could be arrived at to permit the allocation of more Port Authority surpluses for mass transportation?

COMM'R KELLOGG: I think that is before the courts right now and our counsel has said that that wasn't possible.

ASSEMBLYMAN KOPPELL: The question of whether those covenants are binding is before the court because I think it is essential for us as a Legislature to know whether that is or is not so.

COMM'R KELLOGG: I would like to ask Commissioner Jones to answer it because he is a lawyer and I am not.

ASSEMBLYMAN KOPPELL: What I am asking is whether you would be willing to sit down, with or without legislators, with representatives of the financial community, with the trustees for the bonds, with your staff, to discuss ways and means in which the covenants might be modified with other arrangements, so that consistent with the bondholders'

security - consistent with the bondholders' security - those covenants could be loosened up.

COMM'R KELLOGG: I would like to have Mr. Jones answer that. He is a lawyer.

ASSEMBLYMAN KOPPELL: Well, I was just wondering whether you would be willing to do that.

COMM'R JONES: I find myself in an unusual position here, gentlemen, and I find myself to be rather cramped and I find that surprising.

But I would like to say to Assemblyman Koppell that there is a suit in New York, which I believe your firm is plaintiff for or is the plaintiff.

ASSEMBLYMAN KOPPELL: No. I personally am one of the plaintiffs.

COMM'R JONES: O.K. Then you know the nature and basis of that cause of action and you know the defenses and you know that is in the courts of the State of New York and you know that that matter will be tried.

ASSEMBLYMAN KOPPELL: Commissioner, that suit is to determine - let's make it clear -- You know that suit is to determine whether these covenants are constitutional or not.

COMM'R JONES: Let me give you a full answer. May I?

ASSEMBLYMAN KOPPELL: Certainly.

COMM'R JONES: Well, that suit then has to be determined through to the Court of Appeals in New York. I understand that there is a similar suit in New Jersey and I think that the suit has the same purposes and that, as a matter of fact, the plaintiffs are in concert in respect to that particular litigation.

First of all, sir, it would seem to me that it is only fair that the judicial process should be carried to its end and, if your contentions are correct, there will be an entirely different posture in all respects in connection with everything and anything that has gone on up to this moment. And I am sure you would agree with that, sir.

ASSEMBLYMAN KOPPELL: Yes, I will.

COMM'R JONES: O.K. Now let's talk about the present. If that is the posture of the future, if there is some posture that will come out of that in the future, for the time being, sir, it seems to me that the Port can tell you that it is willing to discuss anything with anybody and perfectly willing to be rational and sensible and intelligent and make every effort to bring about proper and desired public interest results. I don't think there is more to be said than that, sir.

ASSEMBLYMAN KOPPELL: Commissioner, let me make it clear that I speak for myself here, although I think I represent the views of my co-plaintiffs. Let me simply clarify this ---

COMM'R JONES: You don't have to defend with me. I am a lawyer. You have a perfect right to be a plaintiff on anything.

ASSEMBLYMAN KOPPELL: I am not trying to defend; I am trying to clarify our position in this law suit because we are the plaintiffs - or at least my own position. I don't wish to speak for Mr. Kheel at this time, although, as I have said, I think that I do have a similar object in mind in being a plaintiff. Our objective is to permit in one way or another an increased use of the Port Authority's funds for mass transportation.

You are quite right in saying that if the litigation is successful, this would be facilitated. There may be other ways, however, than bringing the litigation to fruition. I am not suggesting that those other ways would be pursued by us. I am suggesting, however, that our objective is not to win a law suit. Our objective is to have more money for mass transportation.

COMM'R JONES: I will not pass upon whether a plaintiff doesn't want to win a law suit or not. That is up for everybody's question of whether they believe that or not. And I would not get into an argument with you, sir. However, let me say this ---

ASSEMBLYMAN WILSON: Excuse me. Wait a second.

COMM'R JONES: Well, may I finish?

ASSEMBLYMAN WILSON: Excuse me a moment.

COMM'R JONES: The question was directed at me.

ASSEMBLYMAN WILSON: All right. There is no problem.  
You are going to have an opportunity to answer.

COMM'R JONES: O.K.

ASSEMBLYMAN WILSON: Commissioner Kellogg, I promised you you would be out by quarter after twelve and you have that plane to make.

In turn, in the future we may like to have you back when we would have an opportunity to ask you more questions.

COMM'R KELLOGG: At any time.

ASSEMBLYMAN WILSON: I would like to keep that commitment. The only reason we scheduled this Friday was because Mr. Tobin was going to be out of the country and I wanted him to have the opportunity to be here also. But in the future we will have another hearing.

But we would like to ask Commissioner Jones, since he is answering questions, if he would like to take Commissioner Kellogg's place for, say, ten minutes, and we could continue with Assemblyman Koppell's questions because you are answering them now.

COMM'R JONES: I have one question that the Assemblyman asked me that I would be perfectly willing to answer. I happen to be here of counsel to Mr. Kellogg. If someone says you stay here and answer questions, you must certainly know that I am respectful and that I am obedient and that I will do what the Committee asks me to do.

ASSEMBLYMAN WILSON: Would you like to testify now for ten minutes because I believe Assemblyman Russo has a question he would like to ask and I believe perhaps Assemblyman Thomas has a question. Since Commissioner Kellogg has to leave, would you be willing to stay for ten minutes?

COMM'R JONES: Assemblyman, I will do just exactly as you suggest and I make myself at the disposal of the

Committee.

ASSEMBLYMAN WILSON: Fine. Thank you very much. And thank you very much, Commissioner Kellogg.

COMM'R KELLOGG: Thanks very much for having me and letting me go.

COMM'R JONES: I enjoyed Assemblyman Koppell's questions because I think they are pointed and that they can be answered by me in pointed ways. And the last question was -- if you would repeat it, sir, or let the record be read back --

ASSEMBLYMAN KOPPELL: My question really was the first question - I think we are still on that - namely, would the Port Authority commissioners direct the staff to explore the possible modification of covenants in bond instruments which according to Mr. Tobin prevent the Authority from spending money on mass transportation?

COMM'R JONES: I think that the answer would be, sir, that if responsible people came forward with responsible demands, they would be glad to look into the question and make determination. I don't see any reason for you or anyone else to think that we are not there to look into studied and intelligent proposals and not to act upon them because that is neither the nature or the temperament of the Commissioners or the staff, sir.

ASSEMBLYMAN KOPPELL: I am glad to hear that because I think if we have that kind of constructive attitude toward this very central problem, the covenants with the bondholders, perhaps we can make some progress.

COMM'R JONES: I can give you what my belief is. I have given you what my belief is. I can speak for myself. That's not a belief with me - that's a conviction with me. But I believe that my convictions are shared elsewhere, within the periphery of the Port of New York Authority.

ASSEMBLYMAN KOPPELL: Thank you.

ASSEMBLYMAN WILSON: Assemblyman Russo?

ASSEMBLYMAN RUSSO: Commissioner Jones, Mr. Kellogg

indicated he would negotiate with Newark but there was no indication at all about negotiating with Elizabeth. Can you please give me the reason why they will not negotiate with Elizabeth?

COMM'R JONES: Assemblyman, we have known each other for many years and under other circumstances I would call you by your first name and be lots more direct. But the real point is that I do not think that Mr. Kellogg's statement came through that he would renegotiate. I think his statement came through that he would be willing to discuss with the respective executives of both communities and that the Port would be willing to discuss with the executives and any other responsible person in these communities what their respective positions were and whether they could be benefited and whether they could not be benefited.

ASSEMBLYMAN RUSSO: Thank you. I would like to ask you another question. I asked this of Mayor Gibson. I don't know whether you would be able to answer it. I would like to know the number of jobs, Commissioner, that the City of Newark has in the Port Authority.

COMM'R JONES: I think there would be about 7500 or 9000.

MR. TOBIN: There are 15,000 people working at Port Newark and the Airport.

COMM'R JONES: Fifteen thousand, if combined. I thought you were asking me about just the airport. The combined figure is 15,000. I am so advised by Mr. Tobin and I would accept that as an accurate commentary.

ASSEMBLYMAN RUSSO: And the number of people that come from the City of Newark working there?

COMM'R JONES: I am sure we have no figures that break down the 15,000. We do have figures that say that 15,000 people are employed in our facilities.

ASSEMBLYMAN RUSSO: The same question: The number of people that would be working from the City of Elizabeth - can we have that?

COMM'R JONES: I don't have it, but you can be assured that by the end of the week, you will have that number in the mail, Assemblyman.

ASSEMBLYMAN RUSSO: One more thing, Commissioner -- the type jobs in the City of Newark and the type jobs in the City of Elizabeth - can you get us that information?

COMM'R JONES: You mean essentially job classification.

ASSEMBLYMAN RUSSO: Right.

COMM'R JONES: If we have them, you will get that also in a letter.

ASSEMBLYMAN RUSSO: Thank you.

ASSEMBLYMAN THOMAS: Senator, Mr. Kellogg said that the Port Authority was willing to buy Penn Station in Newark. Is that an accurate statement?

COMM'R JONES: I think that he said that quite affirmatively and I have no reason to believe that it was not an accurate statement.

ASSEMBLYMAN THOMAS: Are you willing to buy Penn Station with Port Authority funds or do you want contributions from some other source?

COMM'R JONES: That hasn't been determined as yet, but we are willing to enter into the project.

ASSEMBLYMAN THOMAS: Well, are you willing to buy it with just your money?

COMM'R JONES: It might very well be. There is such a thing as asking -- You know the old saying, Assemblyman, is, "Beer takes so much time to make." And you are asking us in the middle of the beer-making process. But your answer might be very well affirmative and without qualification.

ASSEMBLYMAN THOMAS: That is a definite maybe.

COMM'R JONES: No, I don't really think that is fair to me and I would like the record to indicate that I don't think that is fair to me. I simply told you what the objective was. I didn't hedge or qualify it. I said, yes,

that is what he said and that is the objective. But I don't think that I said maybe we would and maybe we wouldn't. I said we were preparing an answer for the next specific question you asked and that is not maybe.

ASSEMBLYMAN THOMAS: Have you suggested or have you recommended in your minutes to the Governors of both states that the Port Authority purchase Penn Station in Newark?

COMM'R JONES: Yes.

ASSEMBLYMAN THOMAS: Can you tell me when that recommendation was made?

COMM'R JONES: I think it was made -- What is today?

ASSEMBLYMAN THOMAS: Today is the 12th of March, 1971.

COMM'R JONES: Well, I think it was made about a month ago.

ASSEMBLYMAN THOMAS: Mr. Kellogg also said that the Port Authority was willing to connect Penn Station in Newark to Newark Airport.

COMM'R JONES: I think that what he said was that there was a study afoot in that connection and I think that I could add that we are expecting, both as commissioners and as staff, - now I am not staff obviously -- I am saying both as commissioners and as staff, which means Mr. Tobin on down, we are prepared to discuss with the Governor what his objective here is and whether he wants us to proceed in that respect.

ASSEMBLYMAN THOMAS: Have you not already discussed with Governor Cahill or has he not discussed with you and Commissioner Kohl -- have they not discussed with you what they would like to see with respect to a connection between the two facilities? Haven't they told you what they want?

COMM'R JONES: Are you talking about me?

ASSEMBLYMAN THOMAS: I am talking about ---

COMM'R JONES: First, if you are talking about me, Mr. Kohl has not made any such ---

ASSEMBLYMAN THOMAS: All my questions are not ---

COMM'R JONES: O.K. I am not trying to be evasive.

ASSEMBLYMAN THOMAS: My questions are not that narrow. When I say you, I mean the Port Authority.

COMM'R JONES: Fair enough. I just want to be clear. Now the question is what?

ASSEMBLYMAN THOMAS: The question is: Has either Governor Cahill or Commissioner Kohl told the Port Authority the type of facility they would like to see linking Newark Airport and Penn Station?

COMM'R JONES: I think the answer to that statement is probably generally, yes, they have.

ASSEMBLYMAN THOMAS: Now at last week's hearing, Mr. Tobin said that at your meeting yesterday, you would make a specific recommendation with respect to such a link. Was such a recommendation made?

MR. TOBIN: I didn't say it.

ASSEMBLYMAN THOMAS: I heard Mr. Tobin say he didn't make that statement last week.

COMM'R JONES: I was just going to say, I don't recall the statement. But if you will permit me a hearsay comment, Mr. Tobin said he didn't make it.

ASSEMBLYMAN THOMAS: Yes, I heard him.

Did you make any recommendation as a result of yesterday's meeting? You did have a meeting yesterday?

COMM'R JONES: Yes, we did.

ASSEMBLYMAN THOMAS: Did your minutes contain any recommendation to New Jersey with respect to a link between those two facilities?

COMM'R JONES: Yes, they did.

ASSEMBLYMAN THOMAS: Can you tell me what that recommendation was?

COMM'R JONES: The recommendation is a public recommendation and it is there for you to see and I am happy to tell you about it. The Kaiser Engineering Corporation was

retained to carry out the basic studies, directed to exactly the point of your inquiry.

ASSEMBLYMAN THOMAS: Were they directed to study a means of connecting the two facilities that Commissioner Kohl and Governor Cahill would like to see?

COMM'R JONES: Yes.

ASSEMBLYMAN THOMAS: So they are studying - and by "they," I mean Kaiser Engineers -- What's the matter?

COMM'R JONES: Nothing with me. Nothing with me, Assemblyman. I am just here in a much different capacity than I anticipated, but I am here. But there is nothing the matter with me.

ASSEMBLYMAN THOMAS: Senator, you are more than equal to the task. So don't worry about that.

COMM'R JONES: Thank you.

ASSEMBLYMAN THOMAS: I wonder if Kaiser Engineers have been directed to examine specifically the proposal that the State has made to the Port Authority with respect to that link.

COMM'R JONES: I can say that that is unquestionably correct. Mr. Tobin wants to even clarify that further. Do you want to hear from him?

ASSEMBLYMAN THOMAS: I would be delighted.

MR. TOBIN: The Board authorized yesterday the retaining of Kaiser Engineers to study the whole mechanics and hardware and all of the physical and operating problems of an interterminal connector on the airport, connecting the three terminals on the airport, which have been built to have such a connector - connecting the three terminals and the parking lots on the airport. Now the retainer also says that their studies will include the possibility and their studies will be such that whatever the operating connector is, it could operate, if it were so desired, over through McClellan Street to the Pennsylvania mainline railroad because that decision has not been made. The decision has been made, Assemblyman, - and I think here is where you and I

were just not understanding each other last time - the decision has been made for such an interterminal connector to operate on the airport. The decision has been made that it should be so designed that if the Governor approved and if the Board approved, it could be extended over to the Penn Central Railroad. And Kaiser Engineering is instructed that their design must be such that if the decision was made in the future to do that, to make a connector off the airport, it could be done. But that decision has not been made.

ASSEMBLYMAN THOMAS: The off-airport decision has not been made.

MR. TOBIN: That's right. The on-airport decision has been made.

COMM'R JONES: May I also add to the comment that the report will be made available to the Governor and his staff.

ASSEMBLYMAN THOMAS: Have they been directed to report within a certain period of time? Is there a date when you can anticipate receiving it?

MR. TOBIN: I assume there is and I don't know what it is.

COMM'R JONES: Four months, Assemblyman. I saw four fingers go up of a member of the staff. That must mean four months.

SENATOR DEL TUFO: Four months, as to what?

COMM'R JONES: Four months within which Kaiser Engineering has to file the report which has been described here by me and by Mr. Tobin.

ASSEMBLYMAN WILSON: Mr. Jones, we have two other witnesses that should testify. Would you be willing to come back later this afternoon?

COMM'R JONES: I have a 3:15 appointment with Dr. Hans Neuberg at Columbia Presbyterian Hospital. If you feel that it is important for me to come back this afternoon, I will call and cancel that. I would be happy to go

through here until it takes me to go to Columbia Medical Center. But if you feel that you want me to come back, I would be happy to come back. Look, I know committee work. I am at your pleasure.

ASSEMBLYMAN WILSON: It is not fair to you, Commissioner. Assemblyman Kelly and I have been talking about having an additional hearing because there are many questions that we would like to ask the Commissioners and, in turn, we would like to ask Mr. Tobin some more questions. I think what we will do is schedule an additional hearing where we will just have maybe Mr. Tobin and Mr. Kellogg and they will be the only two witnesses. Then we will be able to exhaust all our questions and that will be it.

But I want to thank you for coming up.

SENATOR DEL TUFO: I want to ask one short question of Commissioner Jones or Mr. Tobin. Those Kaiser reports - they definitely exclude a PATH connection. Is that so?

COMM'R JONES: They are not asked to report on PATH. There is no exclusion. They are not asked to report.

SENATOR DEL TURO: That's it then. I mean, it is not part of the retainer, right?

COMM'R JONES: I like to speak precisely, Senator, and I said that they are not excluded - they are not included in the report.

SENATOR DEL TUFO: But it is not part of the agreement to study the PATH connector, is that right?

COMM'R JONES: We have an extensive report on PATH.

SENATOR DEL TUFO: You already have it, but the Kaiser report is not considering PATH.

COMM'R JONES: I said, no - absolutely no.

ASSEMBLYMAN WILSON: Thank you, Commissioner, and we will maybe have an additional time when we can get together for a longer period of time.

COMM'R JONES: May I, at least, say thank you to the Committee and may I say that this is the first time in my career that I have been on this side of a committee situation

and I begin to realize --

SENATOR DEL TUFO: You represented the Legislature in that capacity and very successfully too.

COMM' R JONES: I appreciate your saying it.  
Thank you.

ASSEMBLYMAN WILSON: Thank you.

I would like to have entered into the record a statement by Peter J. Koelsch, Chairman of the Matawan Borough Transportation Committee. We are sorry we could not schedule him to speak today.

[Statement by Peter J. Koelsch, Chairman, Matawan Borough Transportation Committee, can be found on page 73A of this transcript.]

Our next witness will be Mr. Frank Tilley, Executive Director of the Bergen County Board of Transportation.

F R A N K E. T I L L E Y: Mr. Chairman and members of the Commission: I first want to thank you for the opportunity of appearing before you today.

I want to say before embarking on my prepared statement that like yourselves, just a few moments ago, I saw for the first time a copy of the report of the Inter-Agency Task Force and have had opportunity only to skim through it very quickly and judge from what I have seen that it may mean that some of the remarks I am going to make might be either academic or inappropriate. But I will inject a few asides as I read the statement because of the comments I have seen in this report.

[Following is Mr. Tilley's statement]

My name is Frank E. Tilley. I am the Executive Director of the Board of Transportation of Bergen County, an official agency of County government whose office is at 29 Linden Street, Hackensack, New Jersey, 07601.

The most critically-needed improvement in public transportation facilities for the northern New Jersey metropolitan area is direct, no-transfer, rail access from New Jersey points into the city of New York.

Because of the interstate nature of such travel, only one body is legally empowered to provide the facilities which would make possible direct rail connections between Manhattan and northern New Jersey. That body is the Port of New York Authority.

Although the original purpose for which the Port Authority was created was to deal with problems of railroad service to and from Manhattan, the Authority has studiously avoided any involvement in the matter. This has been largely explained by the bleak outlook in the past for the viability of passenger rail service, commencing with the downhill slide in rail ridership and revenues after the close of World War II and becoming pronounced in the decade of the fifties.

What until then appeared to be a hopeless picture, as rail passenger deficits mounted, took on a different complexion when, in 1960, the State of New Jersey initiated its program of subsidies for essential commuter rail lines. Then, commencing in 1966, the downward trend reversed itself and rail ridership began to increase on almost all of the lines on which service was still operated. The trend has continued, and the extent of the "return to the rails"

has been impressive during the past year. Ridership on Erie Lackawanna has increased by approximately 15%, and on the Central of New Jersey, the Penn Central and the New York and Long Branch the increases have been even more significant. On Erie Lackawanna's Pascack Valley Line, serving central Bergen County, the increase during the past year was 22.4%, despite heavy bus competition.

This remarkable change in the rail commutation picture has taken place despite the fact that, except for the Penn Central, the lines terminate on the west side of the Hudson and passengers must transfer to another mode in order to complete the journey into New York City.

Much of this increase may be attributed, of course, to the population growth of the areas served by the rail lines. But what has happened to bus ridership within recent years? Statistics compiled and studies published by the Port of New York Authority seem to indicate that comparatively little, if any, increase has occurred in the overall utilization of the bus terminal at 8th Avenue and 41st Street in New York. This is not to say that certain individual bus routes have not experienced significant gains in ridership, as most certainly some of them have; but the overall situation seems not to follow that picture. Following are statistics for daily short haul bus passenger departures from the Port Authority Bus Terminal on three dates for which the Authority kept such records:

|                             | 2/17/65 | 12/10/65 | Daily Average<br>4/23/68 to 5/23/68 |
|-----------------------------|---------|----------|-------------------------------------|
| Total for 24-hour period    | 76,696  | 82,122   | 77,347                              |
| Total, 4-7 p.m. (Peak time) | 40,599  | 40,324   | 42,190                              |

The Authority has published no information more recent than the dates for 1968. It has issued, however, a report of a study on utilization of its George Washington Bridge Bus Station which, the Authority states, serves "a stable or slightly declining volume of commuters". The report indicated further that that condition is explained by the diversion of some bus travelers to the 41st Street bus terminal.

In the face of the facts that rail patronage is increasing while bus ridership may be leveling off, the Port Authority has decided to expand and enlarge the terminal at 41st Street. Mr. Austin J. Tobin, executive director of the Port Authority, stated on January 12, 1970 that "the net project cost (of the bus terminal expansion) is presently estimated at 72 million dollars and that federal aid is sorely needed to hold down the annual losses anticipated". While the Authority in its proposal with respect to the terminal expansion program has optimistically projected heavy increases in bus ridership in the years ahead, it has made no mention of the fact that, even should such increases actually occur, additional capacity on access roads to the Lincoln Tunnel and additional capacity for the tunnel itself would be essential, as both roadways and the three tubes are operating at capacity in peak hours now.

The Port Authority further has stated that railroads have not attracted the growing population of newly-developed communities. The answer to this is, very simply, the lack of direct access to New York by rail or the complete absence of any rail service in such communities. Eastern Bergen County is a case in point. In that region, close as it is to Manhattan, bus travel time is one

hour or more for trips of 15 to 20 miles, which is 200% to 300% longer than the travel time from communities equidistant from the Central Business District but served by the Penn Central with direct access to Pennsylvania Station in New York City.

Here I might add parenthetically, Mr. Chairman, that these figures apply today despite the very valuable improvement provided by the exclusive bus lane leading to the Lincoln Tunnel portal on week-day mornings.

Incidentally, there is no passenger rail service remaining in eastern Bergen County.

The Compact between the states of New Jersey and New York by which the Port Authority was created provided that the Authority "shall constitute a body both corporate and politic with full power and authority... to purchase, construct, lease and/or operate any terminal or transportation facility within the (port) district;... and for any such purposes to own, hold, lease and/or operate real or personal property, to borrow money and secure the same by bonds or by mortgages upon any property held or to be held".

What I am proposing today is that the Port Authority be required to do at least as much for the improvement of passenger rail travel in the Port area as it is already doing for bus travelers, air travelers, and shippers of freight by motor truck, water or air. Specifically, the Authority should construct and operate a union rail terminal in the city of New York, with a means of access thereto by rail tunnel under the Hudson River from New Jersey. The site might well be that of the proposed addition to the midtown bus terminal, plans for which could be abandoned.

The uncertain outlook for the commuter bus industry, coupled with the resurgence in rail commuting, support this position. The 72 million-plus dollars which would be required for the expanded

bus terminal would go a long way in providing the proposed union rail terminal. Erection of an office building over the rail terminal, or other profitable use of the air rights, would increase the economic attractiveness of the project. Needed increases in the number of bus loading platforms could be provided at the existing terminal on one of the levels now reserved for automobile parking.

Such action would not put the Authority in the railroad business nor would it violate the statutory limits imposed in 1962 by the legislatures of New Jersey and New York proscribing the Authority from further involvement in commuter railroad operations. The facilities of a union rail terminal and access tunnel could be leased to the tenant railroads in just the way that the Authority levies charges on bus companies tenant at either of its two bus terminals and on airlines using its airport facilities.

If the deficit-producing nature of rail passenger operations should be mentioned, it should also be remembered that the commuter bus industry is financially ailing. Of the two largest carriers that operate into the Authority's two bus terminals, one is bankrupt and the other is a fiscal millstone around the neck of its corporate parent, which is seeking to unburden itself of transit operations.

The Port Authority has shown itself to be a competent agent of the two states. I have the highest respect for the accomplishments of the Port Authority; for the thoroughly efficient way in which it conducts its business; and for the integrity and high degree of competence of its personnel, many of whom I have occasion to meet in the conduct of the duties of my office. They are fully capable, in my judgment, of rising to the challenge which is here placed before them.

I fully recognize also that the Authority has a responsibility to its bondholders and that without its history of financial integrity, the Authority's accomplishments could never have been brought into being.

Its investments must be prudent. In the light, however, of new commuting trends, bus vis-a-vis rail, the proposal to make a capital investment in the new rail tunnel and terminal which I propose is at least as rational as the plan to expand the Port Authority Bus Terminal.

The need is clear. The Port Authority should now be encouraged, or if need be directed, to provide those facilities which will give the Port area a balanced, viable transportation system.

ASSEMBLYMAN WILSON: Thank you, Mr. Tilley. Are there any questions by any member?

ASSEMBLYMAN RUSSO: Mr. Tilley, am I to understand that you believe there are too many deadends in the area of Bergen County as far as transportation is concerned?

MR. TILLEY: I wouldn't call them deadends, Assemblyman Russo. The problem is that in eastern Bergen County where the only alternative to bus travel is private automobile, there are no highways, the area is densely developed and populated, and the buses, which are all that is available for public transportation, must travel city streets all the way into New York City. Despite its geographic proximity to Manhattan, eastern Bergen County residents are required to spend more time getting to work in Manhattan by bus than commuters by rail from points as far away as Red Bank, Somerville or even Trenton.

ASSEMBLYMAN RUSSO: Can you be a little specific in any individual case in the area of East Bergen?

MR. TILLEY: I could cite as an example Harrington Park, New Jersey, which is 21 or 22 miles from mid-Manhattan by bus. The advertised bus operating time is 81 minutes, this despite the much appreciated improvement of the exclusive bus lane leading to the Lincoln Tunnel. Now in 81 minutes,

you can travel by rail from Penn Station, New York, via Penn Central Railroad probably as far as Levittown, Pennsylvania.

ASSEMBLYMAN RUSSO: Thank you very much.

ASSEMBLYMAN KOPPELL: Would you in your position, because you have made mention of the restrictions that are placed on Port Authority investing in deficit rail operations, say as a matter of public policy the Legislature should explore ways of eliminating or modifying that restriction?

MR. TILLEY: Yes. I think this should be explored. Again, however, I indicate that I understand that the Authority's financial integrity does have to be maintained. But I think every effort to explore the Port Authority's further involvement in mass transportation certainly should and must be explored.

ASSEMBLYMAN KOPPELL: Thank you.

ASSEMBLYMAN KELLY: Does the Port Authority have any facilities in your area at all?

MR. TILLEY: None whatsoever, no, sir.

ASSEMBLYMAN KELLY: Are you outside their jurisdiction more or less?

MR. TILLEY: No, we are within their jurisdiction.

ASSEMBLYMAN KELLY: Have you ever proposed anything to them where they could come in and help you out in any way?

MR. TILLEY: Excuse me, Assemblyman. Let me go back just a moment and correct my answer. Teterboro Airport is in Bergen County. I am sorry. I forgot about airport facilities. They are in Bergen County. That is a Port Authority facility. Now your question again?

ASSEMBLYMAN KELLY: I was interested in other types of transportation; I am not particularly interested in the airport anyway. Have you ever made any proposals to them in any way?

MR. TILLEY: Some years back, yes.

ASSEMBLYMAN KELLY: I am talking about recently.

MR. TILLEY: Not recently, not directly.

ASSEMBLYMAN WILSON: Any other questions? [No response.]

Mr. Tilley, I want to thank you very much for testifying and the ideas you have expressed perhaps the Port Authority will explore. I want to thank you very much.

I would now like to call Mr. Wodehouse who represents the New Jersey Citizens Transportation Council. He is on the Executive Committee and is also Vice President - Secretary-Treasurer of the New Jersey Bell Telephone Company, our host.

C H A R L E S      W O D E H O U S E:      Gentlemen, I thank you very much for the opportunity of making this brief statement.

My name is Charles Wodehouse and, as was mentioned, I represent today the New Jersey Citizens Transportation Council, of which I am a member of its Executive Committee and Chairman of its Railroad Committee.

I have also been asked by the New Jersey State Chamber of Commerce, of which I am a member, to announce that they too concur in this brief statement.

The Citizens Transportation Council, a statewide group comprised of 130 companies and organizations, is especially and intensely involved in the problem of transportation in all modes. The immediate and very pressing problem of mass transit is at once recognized by the Council as having a most profound impact on the economic well-being of the entire New York-New Jersey metropolitan complex.

It should go without saying that the continuing strangulation with which this area is faced due to clogged roads and lack of transit necessary to relieve that condition, absolutely must be met head on, and now, if the area is to survive as a job-producing, revenue-producing complex to support its population.

We have at this point in time a mechanism equipped by competence, knowledge, and financial strength to move

expeditiously into the void which has existed for such a long time. We believe it could move rapidly into planning, execution and construction of the mass transit facilities so desperately required by both the states - New Jersey and New York. That mechanism is the Port of New York Authority.

If we did not have an instrument like the Port Authority, we would probably have to create one. So it appears to the Council that it is perfectly natural and proper for the Port Authority to take on the task of providing these facilities. It appears further that this is an obligation and duty of the Port Authority, being as it is, an instrument dedicated to the public welfare of these two states.

Besides the belief that there is an obligation to move into the mass transit area, we submit that there is probably no organization in the nation which has a better "track record" for "getting things done." We think it cannot be disputed that much of the interrelated and interdependent economic growth of the area can be directly traced to the remarkable job which has been done over the years by the Port Authority.

The great network of bridges and tunnels, airport and port systems, and commuter facilities has been a salvation for business, industry, and working people. All of these tremendously successful operations have been accomplished with a minimum of public discomfiture and a maximum of financial relief to the taxpayers.

This again is one of the foremost reasons we believe that we are calling at the right place for help.

It is not our intention to attempt to offer a list of specific proposals - for that is not our field of competence - but rather to ask that the Port Authority, in concert with other transportation groups, immediately develop the necessary plans to help alleviate the mass transit log-jam

facing the New Jersey-New York area. We would, however, make a special request that plans and action go forward without delay for high-speed transit for Newark and the New York airports. Our plea is for action now in beginning work on the problem - among the interested groups armed with the technical expertise - so that the Port Authority can proceed without delay.

With respect to the oft repeated demand for payments by the Port of New York Authority, and other similar quasi-governmental agencies, to local governments in lieu of property taxes, we note that this matter is among the large number of governmental financial matters now under active consideration by the New Jersey Tax Policy Committee. Hopefully, that Committee will include recommendations relative to such payments in its report to the Governor and the Legislature later this year, which report promises to propose a comprehensive restructuring of governmental services and finances in the State.

We therefore believe that it would be premature for the Legislature to undertake consideration of the "in lieu of taxes" question at this time.

ASSEMBLYMAN WILSON: Thank you, Mr. Wodehouse.

Assemblyman Kelly, do you have a question?

ASSEMBLYMAN KELLY: Do you realize, from some of the testimony we have gotten up to now, that there will be a lot of legislation necessary for us to do what you are asking, in other words, to get the Port Authority into mass transportation?

MR. WODEHOUSE: Yes, sir.

ASSEMBLYMAN KELLY: Do you realize that we have to have legislation to take care of the bondholders?

MR. WODEHOUSE: That's right.

ASSEMBLYMAN KELLY: In view of all of that, it is then your opinion that we put aside "in lieu of taxes", and we concentrate wholly on mass transportation. We can't

discuss "in lieu of taxes"; we put that as an auxiliary, shall we say, in the meantime. Is that right?

MR. WODEHOUSE: Mr. Kelly, it was just that I know this is an item which is being considered. If there is an indication that this is going to lag and we are not going to get a fairly prompt report from the Tax Policy Committee, I would recognize that this is something you would have to address yourselves to prematurely.

ASSEMBLYMAN WILSON: Any other questions?

ASSEMBLYMAN KOPPELL: Mr. Wodehouse, I appreciate your remarks and I agree with the thrust of them. I am sure you have been made aware of the fact that we have this problem of the covenants with bondholders and legislation that tends to back up or support such covenants.

You are a businessman and I take it that others in your Council are also business people. Have you explored at all the possibility of modifications in such covenants which would be acceptable to the bondholders?

MR. WODEHOUSE: Assemblyman Koppell, I can't say that we have as a committee. I would not want to say that members of our council's staff have not been looking into that because in preparation of this statement, we have enlarged our investigation of all of this. I don't know of anything specific at this time, but I wouldn't say that they are not thinking about it.

ASSEMBLYMAN KOPPELL: Let me say, on my behalf, that I think this is a problem that would benefit by the attention of disinterested - that is, separate and apart - disinterested businessmen, who are neither bondholders nor the Authority, to look into the question of how, consistent with securities, some changes might be effected. I would appreciate - and I think both legislative committees would appreciate - the remarks of your council on that.

MR. WODEHOUSE: Assemblyman, we are dedicated and want to do something and I am certainly sure that our group would be willing to put this under consideration. I will

certainly carry it back to them.

ASSEMBLYMAN KOPPELL: Good. Do you also consider automobile transportation? Is that within your ambit?

MR. WODEHOUSE: Well, it is with highways. We do have a Committee on Highways, yes, sir. We attempt to look at the whole picture.

ASSEMBLYMAN KOPPELL: Would you recommend that if the money could be directly allocated to mass transportation, the Port Authority should increase its tolls on the Hudson River crossings? Have you considered that question?

MR. WODEHOUSE: We haven't gotten to that detail.

ASSEMBLYMAN KOPPELL: I would suggest you go into that.

MR. WODEHOUSE: That is why we suggested that they would work in concert with the other groups. And here, of course, we are thinking of the Department of Transportation, the Regional Plan. We realize it is an immense problem. The point we want to make is we feel they are the fellows to become intensely involved at the forefront of this. We just want to be sure that we have the best team working.

ASSEMBLYMAN KOPPELL: Thank you.

ASSEMBLYMAN WILSON: Any other questions? [No response.]  
Thank you very much, Mr. Wodehouse.

MR. WODEHOUSE: Thank you very much for the opportunity, Assemblyman.

ASSEMBLYMAN WILSON: We are now going to adjourn for lunch and we will resume at exactly two o'clock.

[Recess for Lunch]



(Afternoon session)

ASSEMBLYMAN WILSON: I would now like to resume the hearing.

Our first witness this afternoon will be Assemblyman Fiori of Essex County. Assemblyman Fiori.

C. R I C H A R D F I O R I: First, gentlemen, I would like to thank you for giving me your time this afternoon. I am here for two reasons: One, in lieu of payment, and the other in regard to auditing. The first statement, gentlemen, will be in regard to in lieu of payment.

Gentlemen, I appear before you on behalf of the City of Newark taxpayers, to give you informational data as to the tax stand of the New York Port Authority so that your Commission and the general public may have a full picture of the Port Authority's tax status as it now exists in our City in terms of tax income dollars lost.

Newark is a truncated city. It occupies about 23.6 square miles and has a population in excess of 380,000 people. Newark is heavily industrialized and commercialized and does not have outlying areas for growth as do other large cities.

A study made by the Office of Economic Development in July of 1969 showed that the City pays out more than twice as much in taxes to the State than the actual amounts it receives back from the State for its own needs.

In effect, Newark is a victim of an historic tax system that continues to allow one time affluent central cities like Newark to aid and subsidize the rural areas of the State. In 1969 the situation has been reversed and the City's economy has declined. Newark is in the position of paying \$49.5 million more than it receives back directly from the State.

The State of New Jersey collected an estimated \$73.8 million from Newark in taxes during fiscal 1969. In return, Newark received directly \$24.3 million. Thus Newark paid out to the State approximately \$49.5 million

more than it got back or more than twice as much as it received.

To alleviate this tax problem and an overburdening tax rate upon the homeowners of Newark, an area I feel is suitable for immediate consideration and change as far as taxation is concerned, are the properties of the Port of New York Authority which collectively pay a mere \$450,000 per year to Newark. One-third of all city tax exempt land acreage (3,072 acres) - we have about 15,001 total acreage - or 20 percent of the total land area in the City constitutes land which is leased to the Port Authority. This valuable property for 1969 - and, gentlemen, the figures I have here, \$113 million, are not the up-to-date figures. In checking recently, on page 3 you will find that on January 1, 1969, the Howard Johnson Corporation purchased three acres of land in the Meadowland area, which is adjacent to the Port Authority, for a cost of \$285,000. Using this sale as a common level for tax purposes which averages \$95,000 per acre, the Port Authority's 3,072 acres would then have a taxable value of \$291,740,000 which should yield to Newark a tax payment of \$23 million for land alone. Now, putting this in the form of tax points, gentlemen, in the City of Newark we average about seven points per million. So this would be a loss of 162 points on the tax rate in the City of Newark.

Now, as I said before, this is for land alone, plus additional millions of dollars in taxes from the many private, commercial and industrial buildings now operating as part of business complexes on Port Authority land and totally tax exempt.

These taxes are due to Newark, not only because the Port Authority shows less sense of social obligation than private companies but because the Airport and Seaport as well as the entrepreneurs who operate industrial and commercial ventures in the Port Authority are all operating at a highly profitable level.

It must be noted and ascertained that all profitable enterprises, operated under Authority auspices or privately, have the same obligation to pay taxes as is required from other citizens of Newark.

The proposed tax reform represents a realistic approach in alleviating the urban financial crisis. On a long-range basis, it should also include property owned by the State and Federal Governments. These are not giveaway programs nor even revenue sharing. It is an equitable re-arrangement of taxation for value received.

It is hereby recommended that the Legislatures of both states pass such legislation as may be required mandating payment by the Port Authority to local municipalities in lieu payments on its real estate equivalent to the amount same would bring if taxed at local rates, with credit against such amount for any payment being made by the Authority under existing agreements, or legislation mandating that the Authority make "in lieu" payments based on a percentage of its gross income, similar to Urban Renewal projects.

And my second statement, gentlemen. This was also suggested by Mr. Richard Lewinson, who is the New York City Financial Administrator. And I believe that he stated that under this program the City of New York would receive somewhere in the vicinity of \$30 million more than they are now receiving.

Gentlemen, there is also another program. I have been working on tax exempt properties and there was another formula that has been used, called The Local Purpose Tax Rate. Now, any one of the three formulas - in other words, the Local Purpose Tax Rate is the tax that a city levies without the education or county taxes involved, and in Newark it's about 2.8. Now, if any one of the three formulas that I've stated could be used, I am sure and I know definitely that they would bring in much needed revenue to

the City of Newark.

Now remember, as I said, gentlemen, we are speaking of land alone. Buildings - there is very little information or no information because they are not on the tax tables because they are all tax exempt.

Now, if the Port Authority, gentlemen, will not use surplus funds for mass transit, then the Port Authority should be more realistic in payment of in lieu of taxes to municipalities where their facilities are located.

Now, that's the report, gentlemen.

ASSEMBLYMAN WILSON: Are you, Assemblyman, going to read both of the statements and then, in turn, we will question you on both?

ASSEMBLYMAN FIORI: Whatever you suggest, Mr. Chairman.

ASSEMBLYMAN WILSON: All right. Are there any questions? Assemblyman Russo.

ASSEMBLYMAN RUSSO: Assemblyman Fiori, if you were to get this \$23 million every year, would you say that the City of Newark would be out of debt within the next ten years?

ASSEMBLYMAN FIORI: Mr. Assemblyman, I could not answer that. I will say this, it will definitely be a help because of the financial and fiscal problems that are now existing in Newark. And I believe that the fiscal problem right now is somewhere around \$60 million and then, with the three tax packages that we just passed, it's somewhere in the vicinity of \$35 million. So \$23 million will not exactly correct the fiscal problems but it's a definite help. And as far as a ten-year period, I wouldn't be able to answer that but I will say this, I think that there may be structures in our tax system because our Tax Policy Commission, which we say will finish its report within the next year, and from this we will come out with other forms of taxation. But as far as reading into the future, I wish I knew the answer.

ASSEMBLYMAN RUSSO: Assemblyman Fiori, you say you sold property to the Johnson Corporation. How much more Meadowland in that area would you have that could be sold?

ASSEMBLYMAN FIORI: Well, I believe - I forget the Department that is handling this, I don't know the exact acreage, Assemblyman, because I was concentrating primarily on the Port Authority acreage.

ASSEMBLYMAN KELLY: May I ask you something?

ASSEMBLYMAN FIORI: If I can answer it, yes.

ASSEMBLYMAN KELLY: Did you say the Port Authority - do they own the land or rent it?

ASSEMBLYMAN FIORI: No, they lease it.

ASSEMBLYMAN KELLY: Now, can you tell me exactly what they do with that land?

ASSEMBLYMAN FIORI: Well, I believe it's used for airport and seaport purposes primarily, and there are other buildings on the land which are used, I believe, for warehouse purposes for which they receive rent, and these buildings are tax exempt and I believe all of that rent, as far as I am concerned, is clear profit to the Port Authority.

ASSEMBLYMAN KELLY: Are you familiar with the arrangements they have, let's say, over in New York with Kennedy or LaGuardia, whether they share in the rents?

ASSEMBLYMAN FIORI: No, I am not familiar.

ASSEMBLYMAN KELLY: Do you know Mr. Clancy who is a Commissioner?

ASSEMBLYMAN FIORI: He is no longer a Commissioner.

ASSEMBLYMAN KELLY: Is there any Commissioner on there who comes from your area in general?

ASSEMBLYMAN FIORI: Yes.

ASSEMBLYMAN KELLY: Have you conferred with him regarding this matter at all?

ASSEMBLYMAN FIORI: No, I did not. Commissioner Axtell.

ASSEMBLYMAN WILSON: He's right in the audience,

Mr. Kelly.

ASSEMBLYMAN KELLY: Well, don't you think, since you're coming from Newark and he's coming from Newark, that you two could get together and work --

ASSEMBLYMAN FIORI: May I say this, Assemblyman? What I am referring to now is not exactly today's meeting. This has been going on for a period of two years and I don't believe Commissioner Axtell, at the time we began this, was a Commissioner of the New York Port Authority.

ASSEMBLYMAN KELLY: Well, I realize that may be true but since he is from your area and familiar with the problems, it seems to me you have an open door, or should have, to go in and talk to one of the Commissioners to see if something like this couldn't be put on their agenda because we discussed earlier renegotiating leases and so on. It seems to me if it could come to a volunteer set-up, that you sit down with the Commissioner and with the Board, you should get the credit for trying to renegotiate the leases for the City of Newark.

ASSEMBLYMAN FIORI: Oh, Assemblyman, I am not here for credit; I'm here to try to do something.

ASSEMBLYMAN KELLY: Oh, I don't mean that. It's not a question of credit, I mean the credit for going ahead and pushing it rather than us having a hearing and then do it. It seems to me that since you have volunteered to do it you should get the credit for it. That's what I'm trying to bring out.

ASSEMBLYMAN WILSON: Are there any other questions?

(No response)

All right. Assemblyman Fiori has another statement concerning the accounting procedure and why he feels an audit is necessary. If you could just paraphrase from this. Do you want to paraphrase it or do you prefer to read it?

ASSEMBLYMAN FIORI: I want to read it. First, I would like to say this: I would like to thank some of the Assemblymen that are on this Commission for helping me with the in lieu payments and also the audit. I would also like

to mention that Senator Rinaldo also has the audit bill in the New Jersey Senate.

Gentlemen, I welcome this opportunity to appear before you today to discuss pending legislation that would require an audit of the Port of New York Authority's books at least once every five years.

Under our present law, the States of New Jersey and New York governments are merely authorized and empowered to make an audit. Under these conditions, I feel that the Port Authority is an untouchable entity.

There has only been one public study of the Agency's books in fifty years, and that was done by the New York State Comptroller, Mr. Arthur Levit.

Adoption of this legislation would be an important first step in the direction of full disclosure of the Port Authority's books. I can see no honest justification for opposing its enactment into law by either the New Jersey or New York Legislatures.

In passing legislation for an audit of the Port Authority's books, I feel then we will have answers to questions such as:

- a. The accounting practices of the Port Authority.
  - b. The method by which the reserve is computed.
- Of course, this question has already gone into the court.
- c. The best way of spending surplus monies.
- I think Mr. Kheel and Mr. Kaden have taken care of that.
- d. Why deficit of PATH increases while record numbers of passenger fares are recorded.
  - e. How was the unfunded debt or interest of PATH recorded in 1968, which was \$2.8 million.

How much was chargeable to the railroad, which the Port bought under the condemnation edict for \$72 million.

How much was chargeable to the old Hudson and Manhattan buildings.

- f. Why should the Port Authority write off \$2 million in 1968 for depreciation when in corporate reports

depreciation is used for a tax write-off and to develop a replacement fund. Since the Port Authority doesn't pay taxes and has its own system of conserving surpluses then the depreciation item should only serve as a bookkeeping item.

g. How did the Port Authority also, with the undebted fund in 1968, arrive at the 31 cent subsidy for each commuter? As the commuters increase, does this subsidy increase?

h. In 1968 PATH recorded a questionable deficit of \$10,942,772 and in 1969 over \$12 million in deficit. Was the increased deficit in 1969 due to the fact that the general reserves of the Port Authority had increased in 1969?

i. Does PATH own the Trade Center because it's using its land as a site?

j. Now, the ownership question, gentlemen, to me is important because when the Trade Center is complete and will make money, will its profits go into the general reserves or will they be used as discounts for PATH costs?

Now, this is important because the Trade Center profits might well offset any losses incurred by PATH and this could then free the Port Authority from legislative restrictions and thrust it firmly into the railroad commuter picture.

k. Are the books of each Port Authority entity kept separate?

l. Are there transfers of monies made from one entity to another in the Port Authority?

m. Does the fiscal year begin and end the same for each Port Authority entity?

Due to the lack of this type of legislation, we need investigation into the financial status of some of the entities of the Port Authority. And, gentlemen, this position was taken by one of the executives of the two states and I feel that, basically, with the power of the

legislatures of both states and the enactment of legislation by both states we wouldn't need an investigation into the financial status of any entity of the Port Authority. And I feel this is a creature of the legislatures of New Jersey and New York and, therefore, we should also have the power to control a creature that we have created.

Now, gentlemen, I do have two pieces of paper here that you don't have. One is a bill which I wrote for New Jersey with regard to the audit, and the other is the bill I wrote for New York and it's number 936 - The Committee on Corporations, Authorities and Commissions.

That's it.

ASSEMBLYMAN WILSON: Assemblyman, I believe that I agree with you that there should be a joint audit as far as the states of New York and New Jersey are concerned. And we did mention earlier today and also last week that Mr. Levit, who is Comptroller of New York, has stated publicly that he would like to cooperate with the State of New Jersey and the Executive Branch to work out an audit and, in turn, share the cost and the responsibility. And as far as thinking of an audit, I agree with you, as Chairman of this Commission. And many of those questions that you have raised, the answers should be found, and I agree with you.

Assemblyman Kelly?

ASSEMBLYMAN KELLY: I only have one question. The list of questions you have here, from A to M, did you ever submit that or ask them of the Port Authority?

ASSEMBLYMAN FIORI: No, Assemblyman.

ASSEMBLYMAN KELLY: Well, will you do me a favor and try it? Submit this statement you have here and I would like to know what your answers will be from the Port Authority. If they answer your questions, you may be able to get the answer without a bill.

ASSEMBLYMAN FIORI: Well, I would rather see the bill introduced.

ASSEMBLYMAN KELLY: I'm not questioning that. I'm

not saying not to go ahead with the bill. This may give you something to find out why you need a bill, it might give you further argument.

ASSEMBLYMAN FIORI: Thank you very much, Assemblyman.

SENATOR DEL TUFO: Assemblyman, you have a bill which is in the Senate and it hasn't passed yet. Have you made any effort to try to sit down with the Port Authority and see if you can come as close as possible to the purpose of your bill as to payment in lieu of taxes?

ASSEMBLYMAN FIORI: No, I have not, Senator. I have not sat down with the Port Authority.

SENATOR DEL TUFO: I understand that the City of Newark is trying to set up a meeting with the Port Authority on that question. Would you meet with them?

ASSEMBLYMAN FIORI: Yes. And as I said before, Senator, there are three proposals. One would be in regard to payment on the basis of the present tax rate; another would be in regard to the income based on a certain percentage; and the third could even be on the local purpose tax rate.

ASSEMBLYMAN WILSON: Anything further?

Assemblyman Koppell?

ASSEMBLYMAN KOPPELL: Assemblyman, do you represent a part of Newark?

ASSEMBLYMAN FIORI: Yes, I do.

ASSEMBLYMAN KOPPELL: And this morning we heard from the Port Authority that they felt that payments in lieu of taxes were not warranted because of the tremendous contributions that they have made to Newark. What is your reaction to that?

ASSEMBLYMAN FIORI: Are you talking in regard to reclamation of the land or are you talking in regard to employment, or what?

ASSEMBLYMAN KOPPELL: Well, they mentioned those things.

ASSEMBLYMAN FIORI: All right. We have our three breweries and so forth and they have contributed also to

Newark in regard to employment, but they pay us taxes too.

ASSEMBLYMAN WILSON: Senator Rinaldo?

SENATOR RINALDO: Yes. In regard to your bill for an audit, does that call for an audit on an annual basis, every five years or every ten years? What is the time period?

ASSEMBLYMAN FIORI: The time period is every five years, Senator.

SENATOR RINALDO: I want to state for the record that I was somewhat confused by the Chairman's comment in regard to an audit. I know that at the last hearing Comptroller Levit said he would be willing to work out a voluntary agreement with the State of New Jersey. Quite frankly, I am opposed to voluntary agreements of this kind and I think that certainly this type of bill or a similar bill in the Senate, that was alluded to, should be passed by both states because I very strongly favor mandating an audit of the Port of New York Authority. From what I have seen to date from appearances by Mr. Kellogg this morning and Mr. Robin last week, I think, my own personal view, not speaking for the Commission, Assemblyman Fiori, is that everything with the Port of New York Authority should be mandated by statute so that the Port of New York Authority can perform the way the Legislatures and Governors of both states want them to perform and not the way Mr. Tobin solely wants them to perform.

ASSEMBLYMAN FIORI: May I say this, Senator? You went a little ahead of me. I have a piece of paper here stating: In lieu payments and audits and meetings made public and also investigation. If we had legislation along these lines, we wouldn't be having a hearing like we're having here today, number one; we wouldn't have to worry about polling the Commissioners, if we had a law. And, again, I wrote the law for New York in regard to making the meetings public to the State Legislatures, and so forth. I also have it in the State of New Jersey, make public

everything that goes on at their meetings, that we receive copies of it so that we know in which direction they're going and where we're going. I have been in the Legislature three years and I have yet to see one report of the Port Authority meetings in the three years that I have served. As far as the audit of the books, I agree with you one hundred percent and I happen to agree with Assemblyman Kelly and a few others up there in regard to sitting down and discussing, with the Port of Authority, an arrangement in regard to in lieu payments.

ASSEMBLYMAN KOPPELL: Assemblyman, while I agree that audits are important, one of the things that Comptroller Levit called for in his report two years ago and reiterated in his most recent report of last December was that the Port Authority's only financial reporting practices were not sufficient to give us in the Legislature, and others, an idea of what the financial results of their varied operations are. As a result of that comment by the Comptroller and my own feeling that he's right, I introduced a bill not mandating an audit but to mandate that the Comptrollers of the two states can tell the Port Authority in what form their reports to the public and to the Legislatures should be made. That is, that the Comptrollers set up the standards rather than the Authority setting up the standards themselves. Do you think that bill has merit?

ASSEMBLYMAN FIORI: Well --

ASSEMBLYMAN WILSON: Excuse me. Before we start selling bills back and forth, we all have bills. I have quite a few on the Port Authority. Here we are to obtain facts. All right, would you comment on that, please?

ASSEMBLYMAN FIORI: You want me to comment? I still feel that basically the Legislature should mandate to the Port Authority in regard to legislation and if it's the Comptrollers of the states that will of course audit the books, this is what I want.

Now, as far as coming up with the legislation - if

the Comptrollers of the states want to write the legislation, that's fine, because I feel they're the experts in the field. But I feel that the State Legislature should control the arm of the Port Authority. After all, they created it.

ASSEMBLYMAN WILSON: Thank you very much, Assemblyman.

ASSEMBLYMAN FIORI: Thank you.

SENATOR DEL TUFO: Mr. Chairman, Assemblyman Kelly referred to Commissioner Clancy. He was succeeded by Commissioner Andrew Axtell who has been here all day and can't we at least acknowledge the fact that he is here?

ASSEMBLYMAN WILSON: Yes. Commissioner Axtell, who did replace Commissioner Clancy, is here. He is from Essex County and he does reside in Newark. Commissioner Axtell, if you would like to stand so the people will know who you are? (Commissioner Axtell complies)

I would now like to call the Honorable Thomas G. Dunn, Mayor of Elizabeth.

Personally, I would like to state that you seem to be quite interested in the Port Authority and it is very gratifying to see a Mayor of such a large City as Elizabeth take the time out from a busy schedule to attend our hearing in New York last week. Therefore, you are quite interested and it's a pleasure to have the opportunity to have you testify.

T H O M A S G. D U N N: Thank you, Mr. Chairman. I might return the compliment by saying I think it's a fine thing for both states that such busy Legislators as yourselves would show the intimate interest in this subject. And I think we all agree that it is a subject that the people of both of our states are vitally interested in.

Mr. Chairman and honorable members of the New York and New Jersey Legislatures: I am Mayor Thomas G. Dunn of Elizabeth, New Jersey and I appreciate the opportunity to testify concerning the operations of the Port of New York

Authority which have such a profound impact on my City.

The City of Elizabeth recognizes the immense difficulties associated with the creation and development of such facilities as the Newark Airport and Port Elizabeth. The tremendous capital requirements of the initial investment in these facilities would make development by private interests almost an impossibility. Your predecessors in the Legislatures of New York and New Jersey were well aware of this reality when, 50 years ago, they created the Port of New York Authority and granted to it vast powers.

No one would dispute the original Port Compact's statement that the benefits of Marine and Air Terminals are statewide and, indeed, nationwide in scope and that, therefore, no single municipality should be allowed to derive the tremendous financial benefits that the accident of location might otherwise produce. While granting this point, my experience as Mayor of the City of Elizabeth compels me to state that not only has the City not profited unduly from the Port's existence, but its impact is a negative one in many ways.

The Port Compact was correct. The effects on the region of Port facilities, both the Airport and the Marine Terminal, are diffuse, and their impact is highly beneficial. Jobs have been created, goods, services and people flow in great numbers to and from their markets, their producers or their destinations. Transportation into and through the entire megalopolis has been facilitated and, in fact, without the influence of the Port of New York Authority much that is good in recent development in this area might not have been possible. No one can justifiably claim that the Port has not lived up to the expectations of its creators.

While the positive effects of the Port's activity have been widespread and significant, however, it is unfortunate that the negative impact of the Port has fallen in more concentrated doses on precisely those municipalities which the original Port Compact prevented

from profiting financially from the existence of the Port. My own City is a case in point and I am here today to testify that the impact of the Port's operations on the City of Elizabeth and other communities requires that changes be made in the arrangements under which the relationship between the Port and its host cities is conducted.

This is an era of intense concern with the environment. Ecology has become the new watchword of citizens and politicians, alike. Yet, the impact of the Port Authority is a negative one in this regard. For the City of Elizabeth, the Port presents problems of water pollution, air pollution and noise pollution. It contributes to drainage problems and sewage problems and its planes spew incalculable quantities of exhaust and excess fuel into our air. The benefits of the Port may be regionwide but these problems, to the dismay of my constituents, fall on us.

Elizabeth is a relatively small city. It contains less than 12 square miles. Yet, of that total, more than one-sixth, or almost 1,300 acres, is included within the Port Authority's domain. Most of this land has been counted upon by the City of Elizabeth as sites for land-fill operations, to help it dispose of its solid waste. The loss of this land has helped to create a very serious problem. Furthermore, because of the direct impact of Newark Airport, we are faced with the very real possibility that one of our urban renewal sites may not be usable for residential construction as we had long planned. This site was intended for new low and moderate income housing to help alleviate the growing housing shortage in our area. The loss of this site would be an immense hardship to the people of my City.

I refer specifically to Project N. J. R-64, commonly known as the "New Point Road Project". About eight years ago, Elizabeth's Redevelopment Agency received federal approval for much needed public housing at this site - property was acquired - 650 families, most, if not

all, "black" were relocated, supposedly temporarily, with a promise of new homes to come - blighted structures were razed and the site was cleared. Now, some eight years later, a federal edict has been handed down banning the site for housing. Why? Because the Port of New York Authority is extending its runways closer to the urban renewal site. This breach of faith with 650 underprivileged families and with a city anxious to aid the plight of these people is a cold-blooded example of material needs of a powerful autonomous agency being given priority over human needs of underprivileged people. If expansion of runways by the Port of New York Authority is that important to its operation, then I respectfully suggest, gentlemen, that the Port of New York Authority be forced to compensate the Redevelopment Agency and/or the people hurt by the Port of New York Authority with sufficient funds to supplement federal and other appropriations to allow for air conditioning and sound-proofing of homes - as we are doing as a city in constructing an eight million dollar "community type" school in the New Point Road area, anticipating a heavy enrollment from a public housing development that may not be built.

In financial terms alone, the impact of the Port Authority is staggering. The Authority's existing land and buildings within our City carry an assessed evaluation in excess of \$90 million. At present tax rates, were we permitted to tax this property, the City of Elizabeth would receive more than \$8 million per annum in revenue from existing facilities alone. The redevelopment of Newark Airport, a large proportion of which will take place in Elizabeth, would bring many more dollars to our hard pressed treasury. Because of the provisions of existing legislation, however, we receive payments in lieu of taxes based only on the value of the unimproved land at the time that it was taken by the Port Authority.

Let me digress for a moment, gentlemen, to point

out that as recently as 1967, the Port of New York Authority took other lands from the City of Elizabeth and verbally agreed to pay us \$30,000 a year in lieu of taxes. To this date, we have not received a dime of that money. Now, a hundred thousand dollars might not mean much to the Port of New York Authority, but one hundred thousand dollars means an awful lot to the taxpayers of the City of Elizabeth.

Admittedly, if the Port had not developed along these lines the total value of the areas in question would not be \$90 million but, even if only \$1 million worth of development, as it surely would have been, we would get more than the less than \$40,000 we now receive. We receive only \$36,000 a year from the Port of New York Authority in lieu of taxes. Existing arrangements do not consider the value of buildings, the tremendous increase in land values, or, certainly, the best interests of the City of Elizabeth.

Not only does the City receive such a small sum from the Port, but the City incurs expenses because of the existence of these facilities within its borders. City streets absorb much of the traffic to and from terminal facilities, not to mention the damage that is being done to our streets and to our property values as a result of an increase in the influx of traffic coming across Goethal's Bridge from Staten Island. Much of this traffic is heavy traffic, traffic that damages and clogs our streets and creates, for our residents, dangerous and inconvenient conditions.

Further, our City is called upon to provide services to Port facilities. We provide both police and fire service. In the past year, although the Port Authority has its own police forces, we have been called upon more than 60 times to deal with police matters arising in Port facilities. Many of these occasions required extensive police activity both in initial investigation and later follow-ups. And I want to point out here too

that when we make policemen available to handle Port Authority matters, it allows them to take their concentration of police power and utilize it somewhere else.

The responsibility of our Fire Department is even more extensive, for it is constantly on call. At any time we might have to fight fires in Port facilities. Even if we never are required to answer a call, and we have had over 100 such calls in the past five years, we must maintain the capacity to deal with them as well as to maintain a complete system of call boxes. The necessity of being prepared for a fire in the Port taxes our fire fighting capabilities and prevents us from distributing manpower in as efficient a manner as possible. Perhaps most seriously, a large fire in the Port area might prevent us from being adequately staffed to handle a simultaneous multiple alarm blaze elsewhere in the City. And these illustrations do not cover, for example, a situation a little more than a year ago when a plane, on making an approach to Newark Airport, crashed into a gas tank in a heavily populated area of the City and for more than one day taxed our Police and Fire Departments in dealing with that tragedy which, indirectly, I suppose, could be blamed on the Port of New York Authority's operation.

The Port of New York Authority has agreed to pay the cost of a new fire station in Elizabeth to service the airport, the piers and a section of Elizabeth, but no provision has been arranged for maintenance and operation of the structure, nor for added personnel required. The capacity to deal with Port connected problems is an expensive one for a City like Elizabeth.

My testimony is based upon my experience as Mayor of the City of Elizabeth and as a former Councilman and as a former Union County Freeholder. And for my friends from New York, I might point out a Freeholder, I think, is comparable to your County Commissioner. I am sure that others will testify as to other communities' problems with

the Port Authority. Elizabeth's problems caused by the Port Authority might be significantly eased if we received more income from the Port's vast operations. Other areas might benefit more from the institution of mass transit programs, and mass transit through the Port of New York Authority is a proposal I wholeheartedly endorse but, frankly, gentlemen, I must be concerned first with the needs of Elizabeth.

In his testimony of March 5, 1971, Mr. Austin Tobin of the Port Authority explained the necessity for the Port's maintaining a sound financial condition. The Port must be self-supporting and existing arrangements give it financial advantages which enable it to be so. However, simple basic decency and fairness requires that these advantages, which may be necessary to permit operations so beneficial to the region and to the nation, should be borne by the region or by the nation and not by the communities in which the Port of New York Authority's facilities are located. If the Port cannot increase its financial contributions to these municipalities without jeopardizing its financial position, the arrangement under which it operates sorely needs revision. The burden of a facility whose profits are so widely dispersed and so great cannot and must not be allowed to fall so totally upon Elizabeth and similarly situated cities. Economic benefits to a region should not be at the expense of hardship to any portion of the region.

Today, throughout this great country, corporations are becoming more concerned with their responsibilities to the communities in which they are located. The Port of New York Authority must be no less concerned. If existing legislation prevents the Port from doing what it should otherwise do in the areas of mass transit or financial contributions in lieu of taxes, then legislation should be changed. If the Port must be forced, through new legislation to accept the role which fairness and morality dictate for it, then such legislation must be enacted into

law, and soon. Fairness requires it; decency requires it; morality demands it. The Port of New York Authority may not be able to alleviate all of the problems its existence creates for its host cities, but what it can do, it must do.

Thank you, gentlemen.

ASSEMBLYMAN WILSON: Thank you, Mayor.

We have some questions we would like to ask you now. Would you like to have any of your aides by you that you may refer to?

MAYOR DUNN: Well, it depends on the questions. I'll try to answer and, if I get stuck, I'll call on one of the pros, all right?

ASSEMBLYMAN WILSON: All right. We did it that way this morning and I thought maybe you would like to have somebody there.

Senator Rinaldo?

SENATOR RINALDO: I thought perhaps you would want some of your aides. Mr. Robin always has a few and I think this way we would keep it even-Steven.

MAYOR DUNN: Mr. Tobin doesn't have to run for election. The Mayors do and we try to become experts on all subjects but we don't always succeed, of course.

SENATOR RINALDO: This morning, Commissioner Kellogg was questioned by me with regard to the police calls. He stated that there were only five calls last year. You stated that the Police Department within a one year period responded to calls sixty times. Now, I assume that your Police Department keeps an accurate record, as mandated by law, of all of these calls?

MAYOR DUNN: Absolutely.

SENATOR RINALDO: And you could produce this record anytime the Commission desired to see it?

MAYOR DUNN: Deputy Chief Maloney is with me and he has documentation to my statements.

SENATOR RINALDO: Fine. Since Commissioner Kellogg testified that there were only five calls and you

have documented evidence of sixty calls within a one year period, I certainly think on that basis a copy should be made available to the members of this Commission so that it can be offered into the record to show exactly when and where the calls took place because it is in direct contradiction to the testimony he gave.

MAYOR DUNN: Deputy Chief Maloney has given me a detailed accounting of the 62 calls. Three were for possession of stolen property, one was for a bomb scare, thirty-six for larceny, one for an atrocious assault, one for malicious damage, two for breaking and entering, one for recovery of property, one for death, 13 as a result of low flying aircraft complaints, and three arrests.

As I said before, Mr. Chairman, this does not take into account such things as strikes that have taken place at the piers in the past requiring tying up our Police Department for a couple of weeks, if I remember correctly or for an accident, whereby a plane crashes into our City, tying up our Police and Fire Departments at least for hours and, in a couple of instances, for days.

ASSEMBLYMAN WILSON: We'll have that entered into the record. (See p. 75 A.)

SENATOR RINALDO: Mayor Dunn, does the Port of New York Authority have buildings in Elizabeth which are owned by them and leased to private companies?

MAYOR DUNN: Well, when you say within the City of Elizabeth, I think you mean, Senator, within the geographic boundaries of the City of Elizabeth.

SENATOR RINALDO: That's right.

MAYOR DUNN: I think every time I pass that beautiful Sealand Office Building - I think in terms of what it would mean in taxes to the City of Elizabeth if that building were located on Broad Street in Elizabeth rather than on the Port of New York Authority property. It's a beautiful office building but we don't get a dime out of it.

SENATOR RINALDO: Yet your Police and Fire Departments would have to respond in an emergency there.

MAYOR DUNN: Absolutely.

SENATOR RINALDO: Would you favor Legislation to require the Port of New York Authority to reimburse the City for these calls according to some predetermined formula?

MAYOR DUNN: I would strongly favor such legislation.

SENATOR RINALDO: From your testimony it appears you would also favor having the Port of New York Authority build its own fire house, which I understand they're doing, but also to staff this fire house with Port of New York Authority personnel. Is that correct? Can this inference be properly drawn?

MAYOR DUNN: The Port has agreed to build a fire station at a cost not to exceed \$180,000 in the City of Elizabeth, but will not compensate us for added manpower or for any of the equipment that would be required to man a new fire house. It would be one capital outlay on their part and that would be the end of it.

SENATOR RINALDO: I understand that there is currently an agreement in effect between the City of Elizabeth and the Port of New York Authority whereby the Port pays the City some \$36,000 annually in lieu of taxes on land they own. Can this agreement be renegotiated?

MAYOR DUNN: As I understand the legislation, the Port of New York Authority is not at all mandated to negotiate with the City of Elizabeth or with any other city, for that matter. If you will excuse the expression, the Port of New York Authority could tell the City to go to hell and not give us a dime at any time. So out of the goodness of their heart, they pay us \$36,000 a year. Now I heard Mr. Tobin say last week, and I remember his words very distinctly, that they would be willing to renegotiate with the City of Elizabeth. Well, I have taken that as an invitation from Mr. Tobin that they are willing to negotiate a better deal for the City of Elizabeth. But

we have been asking for such a better deal for a long time now and have been getting no place. The truth of the matter is, they don't even have to negotiate with us, they can just take that land from us and completely ignore our needs or whatever burdens they are placing on the shoulders of the taxpayers of our City. And I think that is a reform in legislation that is an absolute must. The Port of New York Authority should be mandated, periodically, to negotiate with a city that is adjacent to their operation.

SENATOR RINALDO: This morning I questioned Commissioner Kellogg at length. He wouldn't go quite so far as Mr. Tobin did in his offer to renegotiate. As far as Commissioner Kellogg would go in his testimony would be that he would be willing to sit down and talk, period. I questioned him at the conclusion of his testimony in the hall and he said if he received an invitation he would be willing to sit down with you, myself, and whoever else we may want there to discuss mutual problems. He did at no time expressly say he didn't want to use the word renegotiate. Would you be in favor of this as a first step in possible renegotiations with the Port of New York Authority?

MAYOR DUNN: Of course, I would, Senator. A couple of weeks ago Commissioner Kellogg was in my office on other business and I asked him about the prospects of renegotiating and he promised me that he would broach the subject to his colleagues on the Board. I have not heard anything since that time. And if you will check the record of the meeting in New York, last week, I think Mr. Tobin did commit the Authority to a willingness to negotiate or renegotiate with the City of Elizabeth.

But, Mr. Chairman, I think it's important to point out here, I don't think that any city should have to operate under the whim or the fancy of the Port of New York Authority. In other words, the Port of New York Authority is now in a position of doing a big favor for the City of Elizabeth by paying us \$36,000 a year, and

they can cut us off any time they want to, despite - or because we do have that existing agreement, of course, we have to get that much. But, according to the legislation, as I understand it, this is a permissive thing to the Port of New York Authority, and I don't think that any city should find itself subservient to an autonomous agency as powerful as the Port of New York Authority. I think legislation should be on the books mandating when a city can substantiate the need for increasing the compensation to the city, they should be mandated to pay it. If not, they should pay taxes like everybody else.

SENATOR RINALDO: Do you know of any statute that would prohibit the Port of New York Authority from re-negotiating the amount they pay the City of Elizabeth upward?

MAYOR DUNN: No. But again it would be out of the goodness of their heart that they would voluntarily do this. But as I understand the legislation, they don't have to sit down and negotiate with a city under any circumstances.

SENATOR RINALDO: But you are willing to sit down at any time.

MAYOR DUNN: Oh, absolutely.

SENATOR RINALDO: And you think it should be done quickly.

MAYOR DUNN: Absolutely.

ASSEMBLYMAN KELLY: Mr. Mayor, you were present at the hearing last week?

MAYOR DUNN: Yes, sir.

ASSEMBLYMAN KELLY: And you heard Mr. Tobin testify about a formula that he has with, say, Kennedy Airport on a formula basis?

MAYOR DUNN: Yes, I heard.

ASSEMBLYMAN KELLY: He's going to get fifty, sixty and then seventy-five.

MAYOR DUNN: Yes. I'm not familiar with it. I did hear him read it, I believe.

ASSEMBLYMAN EKLLY: Now, could your experts come up with some kind of a formula where the income reaches so

much, you would get so much, rather than demand that we have a mandate that they negotiate because that doesn't say you have to reach an agreement. It seems to me that if you come up with some kind of a formula similar to what is existing presently, maybe we would have something to work on.

MAYOR DUNN: That makes sense.

ASSEMBLYMAN KELLY: Let me ask you another question. You mentioned during your testimony that they owe you money, a hundred thousand, and they never paid it. Can you give me the reason?

MAYOR DUNN: No, I can't give you the reason. We're trying to find out why they won't pay this amount to us. This was for a taking back in 1967 of property which realized some \$30,000 a year in taxes to the City of Elizabeth. The Attorneys for the Port and for the City agreed that in lieu of taxes they would pay us an equal amount of some \$30,000. Well, they owe us now approximately \$100,000. And this is anticipated revenue that we have not received, which we have to foist upon the other taxpayers.

ASSEMBLYMAN KELLY: Well, I don't know what the Jersey statute is but I think your Attorneys better be careful of that and do something about it before it goes too long.

Let me ask you one more question.

MAYOR DUNN: Do you mind if I ask you why?

ASSEMBLYMAN KELLY: Well, if they owe you money, if you keep letting it go on - I don't know, you better speak to your lawyers about that.

MAYOR DUNN: Central Railroad owes us a million dollars in taxes and we can't do anything about it.

ASSEMBLYMAN KELLY: We were talking about the police. Are the policemen of the Port Authority allowed to make arrests?

MAYOR DUNN: On Port Authority property, I believe.

ASSEMBLYMAN KELLY: Are they peace officers or --

MAYOR DUNN: Well, you are delving into something that I better get some professional advice on.

SENATOR RINALDO: Do you want Chief Maloney?

MAYOR DUNN: Yes, Chief Maloney.

ASSEMBLYMAN KELLY: Is it required that your officers appear on the Port Authority premises in the event of an arrest?

CHIEF MALONEY: Not necessarily. They can make their own arrests. They have the same police powers of any police officer in the State of New Jersey.

ASSEMBLYMAN KELLY: Would there be any incidents down there that you would want your men down there in the event of any situation?

CHIEF MALONEY: There are a number of things that right now we would like to look into in connection with the Waterfront Commission hearings which were held last year in the Port Authority property.

ASSEMBLYMAN KELLY: In other words, would some of those 62 calls be involved in that situation?

CHIEF MAHONEY: No. These are actual calls where we respond only to the Port Authority when they request, when their police department requests our aid. These 62 calls were requests for aid from their police department. We don't send our people out there otherwise.

ASSEMBLYMAN KELLY: I see, I have no further questions.

ASSEMBLYMAN WILSON: Does anyone else?

SENATOR DEL TUFO: Mayor, on page 3, at the foot of that page, you say: "Not only does the City receive such a small sum from the Port however, but the City incurs expenses." Could you approximate how much money it costs the City of Elizabeth?

MAYOR DUNN: It would be difficult, Senator, except to say that it would far exceed the \$36,000 a year that we receive. My guess would be at least a half million dollars.

SENATOR DEL TUFO: A half million dollars. That's what it would cost you, right?

MAYOR DUNN: Right.

SENATOR DEL TUFO: What benefit - we've heard so much. I have a lot of respect for the Port Authority, we can't do without them, but they say, look at the benefit the City of Elizabeth is receiving with this world-popular container operation. What benefit is Elizabeth itself receiving from this?

MAYOR DUNN: None whatsoever. Senator, we have a reputation now in the City of Elizabeth - I know the Port of New York Authority likes to boast about it. - I've seen some of their pamphlets - that Elizabeth, New Jersey, is now the largest containerized shipping port in the world. Everybody knows it but the taxpayers in the City of Elizabeth. We receive absolutely nothing except the reputation.

SENATOR DEL TUFO: How many people, if you can tell us - how many people from Elizabeth are employed by the Port Authority?

MAYOR DUNN: I do not know, Senator, but I would say very few.

SENATOR DEL TUFO: Very few. What could you give us as a guess?

MAYOR DUNN: I can't possibly guess.

SENATOR DEL TUFO: But it's very few.

MAYOR DUNN: I do know that if you were to check the hiring of waterfront workers on the Port Elizabeth Piers, you will find that the overwhelming majority of them come from cities, and even states, other than Elizabeth.

SENATOR DEL TUFO: In other words, the pendulum swings in favor of the Authority as to benefits received against what the City of Elizabeth receives.

MAYOR DUNN: If you compare it with the City, yes, by far.

SENATOR DEL TUFO: That's all.

ASSEMBLYMAN RUSSO: Mayor, how many acres of ground are in this Port Authority, Port Elizabeth?

MAYOR DUNN: I'll have to ask somebody. You mean how many acres have been taken by the Port of New York Authority from the City of Elizabeth?

ASSEMBLYMAN RUSSO: Just about.

MAYOR DUNN: Less than 1300.

ASSEMBLYMAN RUSSO: I don't know whether this question was asked. If the Port Authority wasn't there, would you say these 15 hundred acres would be developed?

MAYOR DUNN: I think in time they would have been developed. I have to give credit to the Port of New York Authority. I think they developed this acreage faster than private enterprise would do it but I think eventually private enterprise would have done it, or at least to some extent.

ASSEMBLYMAN RUSSO: And if private enterprise developed it, you would have gotten more cash?

MAYOR DUNN: Absolutely. We get nothing now. We lose money now.

ASSEMBLYMAN RUSSO: How many acres of ground would you say were developed in the area of the Port Authority as a result of the Port Authority being there? Could you answer that?

MAYOR DUNN: No, I don't quite understand the question.

ASSEMBLYMAN RUSSO: Well, the Port Authority is there. What I want to know is how many acres of ground was developed by private enterprise as the result of the Port Authority being there?

MAYOR DUNN: Well, there were hundreds of other acres of similar land developed by private enterprise and industries and by the Central Railroad and others.

ASSEMBLYMAN RUSSO: Over how long a period?

SENATOR RINALDO: I think what he's getting at -

correct me if I am wrong - so that the question is clear in fairness to the Mayor - I think what you are getting at is the fact that Commissioner Kellogg testified that because the Port of New York Authority developed a certain area of the meadows, as a result thereof in the surrounding environment industry moved in, restaurants and what-have-you, to help build up the economy. Is this what you meant?

ASSEMBLYMAN RUSSO: Yes.

SENATOR RINALDO: I think that what the Assemblyman is interested in is this, first of all, factual as a result of what the Port Authority did; and, secondly, how much private enterprise was generated by Port Authority activity.

MAYOR DUNN: Well, there is no question but that the Port of New York Authority did these things and there is no question that it has attracted other industries into the area. But I can't help but feel that over a longer period of time the same thing would have been done by other governmental agencies or by other private enterprise. The Hackensack Meadowlands are being developed by organizations other than the Port of New York Authority, with private money.

ASSEMBLYMAN RUSSO: The question that I wanted to ask was, how much taxes would be paid into your township as a result of this. Do you have any figures on that at all?

MAYOR DUNN: Well, if the Port Authority had not --

SENATOR RINALDO: If you had private enterprise?

MAYOR DUNN: It would run into millions of dollars per year.

SENATOR RINALDO: And you get \$36,000 now.

MAYOR DUNN: \$36,000. We receive more in taxes from any ten to fifteen two-family houses on Applegate Avenue than we get from the Port of New York Authority. And it's simple. The City of Elizabeth is losing money. And we have one and two-family homeowners and people living on fixed incomes and no matter how you cut it they're sub-

sidizing the Port of New York Authority. The New York Authority is loaded, and all we're suggesting is that they fulfil some of their moral obligations to a very troubled society.

ASSEMBLYMAN RUSSO: You answered the question about the Police Department, how about the calls - were there any calls as far as the Fire Department is concerned?

MAYOR DUNN: Yes. We make numerous --

ASSEMBLYMAN RUSSO: Do you have a record of that?

MAYOR DUNN: I have our Fire Director here with me and he shows an average of at least 20 calls per year for serious fires, too, I might say.

ASSEMBLYMAN RUSSO: On these calls, are you directed to go in there by the Port Authority?

MAYOR DUNN: I don't know whether the same applies -- This is Fire Director, George Forrester, whom I might introduce as a former Deputy Chief who is now a civilian but serving as my Fire Director.

ASSEMBLYMAN RUSSO: Will you explain the expense that your Department goes to as a result of the Port Authority being there?

MR. FORRESTER: Well, let me say this, that over the past five years we have responded to over a hundred fire calls to the Port Authority area. To try to compute it in dollars and cents is a difficult thing to do. We estimate so much per run for any box pulled in the City. But the big problem here is that we are so remote from the City when we respond to the Port Authority area and it's roughly 25 percent of our fire protection that goes anytime a box is pulled in that area, thus depleting the City, as a municipality, of much of the apparatus that it pays to maintain. This amounts to a tremendous cost too.

ASSEMBLYMAN RUSSO: Do you maintain the fire alarm --

MR. FORRESTER: Fire alarm system, yes.

ASSEMBLYMAN RUSSO: Do you have any idea

how much that costs the City of Elizabeth?

MR. FORRESTER: Well, we do have to expand and keep close check upon a far greater area than we would normally have to protect with our fire alarm system.

ASSEMBLYMAN RUSSO: Well, we would like to know the expense involved. You don't have to give that today but we would like to have a record of that expense.

MR. FORRESTER: This I'll say, that the Port Authority paid all the expense of putting the equipment in there. So we could say that it costs us just a minimum sum, at least \$10,000 a year to maintain the system. And sometimes, when we have trouble, it costs far more when you figure the hours that our men would be putting in over there in the event of trouble.

ASSEMBLYMAN RUSSO: And you have a Public Works Department in your town. How often do they cooperate with the Authority?

MAYOR DUNN: Well, they are always willing to cooperate but I don't believe that we send Public Work crews in there. I just can't think of a reason why we would have our Public Work crews in there.

ASSEMBLYMAN RUSSO: Mayor Dunn, you also have a First Aid Squad in your town, do you not? Ambulances, I'm talking about.

MAYOR DUNN: We have an ambulance service that is provided by the three hospitals with a subsidy from the City of Elizabeth. The three hospitals conduct the ambulance service.

ASSEMBLYMAN RUSSO: All right. Do they service the Port Authority area?

MAYOR DUNN: I believe so. I believe the Newark ambulances would also service the Port. There have been times, to my knowledge, when our ambulances went into the Port Authority property.

ASSEMBLYMAN RUSSO: I would like to have, if we can, a record of that too because I am in charge of these

different departments in my town and I know that this is an expense. That is what I am trying to get at.

MAYOR DUNN: Assemblyman, I would like to point out that up until about a year and a half ago, maybe two years ago, for our security forces, police, firemen and ambulances, to get to the piers in Elizabeth we had to go through Newark, to go around the Newark Airport to get to the site of the problem. Now, with the opening of McCluster Street, which I say is about a year and a half ago, we can now more directly get to the piers. But, as Director Forrester pointed out, our City is quite far removed from the Port Elizabeth Piers. This involves all sorts of problems.

ASSEMBLYMAN RUSSO: For the record, can you make sure that we get that information on the ambulances too?

MAYOR DUNN: Yes, sir.

ASSEMBLYMAN RUSSO: As far as sanitation is concerned, do you render a service to the Port Authority, that is as far as sanitation is concerned?

MAYOR DUNN: No, sir, we do not.

ASSEMBLYMAN RUSSO: None whatsoever?

MAYOR DUNN: No, sir.

ASSEMBLYMAN RUSSO: Do you have a record of the number of people that work in the Port Authority area from the City of Elizabeth?

MAYOR DUNN: No, I do not, sir.

ASSEMBLYMAN RUSSO: Can we get that too?

MAYOR DUNN: Well, we would have to get it from the Port of New York Authority or from the Waterfront Commission. I can try to get it for you.

ASSEMBLYMAN KOPPELL: Mr. Mayor, I wondered, - the argument has been made by the Authority that because of their existence they give people in the cities jobs and they make a possible contribution that way. That argument has some appeal. I wonder whether you have done a study to see whether the attraction of a man and his family to

a city and the taxes that they would contribute would make up for the expense that that additional family would cost the city in the terms of the varied services that such a family demands? In other words, it might be that you don't want to get more people living in a town, unless the person who hires them pays real estate taxes on the business property. It may be that another person coming to Elizabeth is not a positive contribution, and may be a negative contribution, unless the business where he works also makes a contribution. I don't know.

MAYOR DUNN: I never thought of it that way, but there is a lot of merit to it.

ASSEMBLYMAN KOPPELL: Because if it's true that the Port Authority attracting people is of benefit to the city, then their argument makes a lot of sense, but it might be the opposite, it might also cost you money to have more people living in Elizabeth unless the Port Authority pays its share of taxes or an amount in lieu of taxes.

MAYOR DUNN: It's worth thinking about and I will suggest that a study be made along those lines.

ASSEMBLYMAN THOMAS: Mr. Mayor, I know you were asked this question before but I would like to go over this in a little greater detail. You have talked with Mr. Kellogg about the plight of Elizabeth vis-a-vis the Port Authority, have you not?

MAYOR DUNN: One time, for a period of less than two minutes. He was in my office recently on another matter and he's a very busy man, but I figured, while I had him, I'd ask him. I asked him if he would consider renegotiating a better deal for the City of Elizabeth and he said, well, I'll broach the subject with my colleagues, period.

ASSEMBLYMAN THOMAS: Well, you have gone into considerable detail today as to the problems that you have because of the Port Authority being there, and what the financial situation is. I take it then that in the two minutes you spoke to him you were not able to press your

case.

MAYOR DUNN: No. As I say, most of our dealings with the Port of New York Authority will be through Mr. Tobin or his staff or the Attorneys for the Port of New York Authority. This just happened to be a chance meeting, more or less, with Mr. Kellogg.

ASSEMBLYMAN THOMAS: Well, does Mr. Kellogg live in Elizabeth?

MAYOR DUNN: Yes, sir.

ASSEMBLYMAN THOMAS: Now, did he indicate a willingness to sit down with you and the rest of the City officials to find out what the problem was so that he could carry a full message back to the rest of his directors and carry the ball, so to speak?

MAYOR DUNN: No. He was very careful that I did not misunderstand what he said. He said, all I can promise you, Mayor, is that I will broach the subject to my colleagues on the board. And he wanted to make sure that I didn't misunderstand his statement to me, to be taken as a commitment that he would guarantee that the Port of New York Authority would renegotiate a better deal for the City of Elizabeth.

ASSEMBLYMAN THOMAS: Would you meet with Mr. Kellogg and whomever else - and I suggest Mr. Kellogg, because he is a native of your City, he should be sympathetic to the problems that you have with respect to the Port Authority of which he is the Chief Poncho, so to speak. If we could use our influence, whatever it might be, - it may not be much of anything - to get him to sit down with you, will you be willing to do that to give him your case?

MAYOR DUNN: I certainly would.

ASSEMBLYMAN THOMAS: He has already agreed to that, Mayor, and I will contact him to arrange a meeting.

MAYOR DUNN: I appreciate that.

ASSEMBLYMAN THOMAS: He agreed to that at noon.

MAYOR DUNN: I am not trying in any way to be

facetious about this, but Mr. Kellogg, yes, does reside in the City of Elizabeth but he is an extremely busy man and I am sure that most of his time is spent outside the City of Elizabeth. And I have no objection, as a matter of fact I would be more than happy to meet with Mr. Kellogg or anybody else, but I would much rather meet with Mr. Tobin or his staff because Mr. Tobin is the Port of New York Authority, and what Mr. Tobin says, goes. And I have the greatest respect in the world for Mr. Tobin. But Mr. Tobin is far more familiar with our problems than are other Commissioners. I don't like saying that but you know it and I know it and the world knows it. And I think that we would save a lot of time if we could sit down and discuss the nitty-gritty with the professional staff.

ASSEMBLYMAN WILSON: I am very surprised that you say that the Executive Director controls the Port Authority because the legislation says the Commissioners are supposed to control it, the six from New Jersey and six from New York. Not only that, I am also very surprised, as Chairman of this Commission, because the Chairman, Commissioner Kellogg, stated to me publicly today, when I questioned him as to Mayor Gibson's suggestion that we get some Commissioners that happened to be more interested in the problems of our cities within the district of the Port of New York Authority -- I said, "What do you think of this, Mr. Chairman?" and he said that he loves Elizabeth, he has worked very hard for Elizabeth, the only thing is he guessed he never stopped down to have a meeting with you. And I am very surprised, and I hope you do have this meeting because I think it's long overdue.

I want to thank you for your testimony and I think you have given us an insight as to this provision for payment in lieu of taxes. Thank you very much.

MAYOR DUNN: Thank you.

ASSEMBLYMAN WILSON: I would now like to call Mr. Thomas Taber, Chairman of the Board of Transportation of

Morris County. Mr. Taber.

T H O M A S T. T A B E R: Thank you very much, Assemblyman Wilson, Chairman; Senators and Assemblymen from our State. We deeply appreciate having the opportunity to come here today to present to you the side of the picture which is seldom heard, that is the users of the service. Now, you have a lot of ground to cover and, with your permission, sir, I would be very happy to enter into the record this statement which you gentlemen can read at your leisure. I am not going to take your time - who wants to listen to a statement, a long statement. If you gentlemen will read it, for whatever merit it may contain, and if I may have three minutes to make a few observations off the top of my head, as a result of being with you all day today, - if I have your permission, I will certainly not take more than five minutes.

ASSEMBLYMAN KELLY: Hold it, one second, please. Ladies and gentlemen, we have a speaker here. Would you please take your seats. We can hardly hear him talking.

ASSEMBLYMAN WILSON: Mr. Taber, we will make sure it is printed in its entirety. I have already read it. We would like you to make your observations and then maybe we will have questions we would like to ask.

MR. TABER: Thank you very much, sir. I might say that I have served as Mayor of the Borough of Madison - a councilman. I have been chairman and member of the Planning Board. For the past ten years I have been Chairman of the Morris County Board of Public Transportation, which is an unremunerative job for our Board is dedicated to the preservation and improvement of public transportation for the benefit particularly of the area served in the use of the service.

I would like to make one observation. While there is much truth in what you have heard about the Port Authority, that what Mr. Tobin says goes, I would like to offer one exception, the Morris County Jetport. Mr. Tobin says it goes

and Morris County says it doesn't, and it hasn't. And I think that is one of the very few occasions where that great, very efficient monolith did not get what it wanted to.

It seems to me that today this hearing has been of great value because it is the first time that I have ever been to a hearing of this sort where we have gotten into the question of going beyond the subject for which the hearing was called. In other words, we have gotten beyond mere public transportation and into the field of human rights and values, as opposed to commercial expansion and profits. And I think this is very appropriate.

I would like to suggest that any of you gentlemen who have not done so, get a copy of the original law and compact of 1921, read it to see how closely the activities of the Port Authority were delineated and limited. Then I suggest that you get copies of each succeeding law which has been passed, which has eased the requirements on the Port Authority, because that will give you the idea, I think, of where we have been drifting. And certainly no one has a greater respect than I have for the capabilities of the Port Authority, its ability to do a splendid job on the things that it wants to do.

I also admire its ability to duck projects that it doesn't want to get involved in. It's a very efficient organization, there is no question.

I think that Mayor Dunn and Mayor Gibson have given you gentlemen a very, very important statement of the facts of life as concerns our very important cities.

Now there are certain other things in connection with something like, let's say, Newark Airport. What is the cost, to the State Highway Department, of building a tremendous access highway? What is the cost of policing them? What are the traffic problems? the accidents? which result from the concentration of vehicles in a relatively small area? And I think all of you, who have

ever tried to get to Newark Airport in time to make a plane and have been stuck behind an accident on Route 22, know exactly what I mean and why it is extremely essential that the long overdue public transportation connection be made.

I would also like to recommend that the study be made - as Senator DeLufo knows, for years we have advocated that the Newark City Subway, which is Newark's sleeping giant, - it goes right through the middle of the City and takes traffic off the streets - that that should be expanded at the ends. Because I can tell you gentlemen, if we had, we will say, PATH to Newark Airport, I mean from Pennsylvania Station in Newark to the Airport - and I have to take a taxi from the Lackawanna Station in Newark to get over to the Pennsylvania Station, I'm going to stay right in that taxi and go to the Airport because I am not going to jackass my baggage at an intermediate stop. This is one of the reasons, you will remember, Senator, why we recommended extending the Newark Subway, using a lot of existing tracks because those cars of the Newark City Subway could then feed into Newark, through Newark and to the Airport so that out in places like Paterson or Summit you could get on the street car there and go directly to the Airport without changing. I think the practicalities of that should be investigated.

Our main feeling with the Port of New York Authority has been - as I say, we have a great respect for it. We feel that the Port of New York Authority should do as much for passengers by rail as it has for passengers by bus, by airplane, and by ship. This is one of the reasons why we advocate that the Port Authority, with Federal assistance, financially, should take over the Pennsylvania Railroad from Hunter Tower - that's contained in my suggestions - right into Penn Station so that Penn Station in New York can be used as a union terminal. I question the need of a new tunnel at 14th Street because we know,

from our experience on the Erie-Lackawanna, that the 35,000 commuters who come into Hoboken in the morning and go home at night - 70 percent of them are destined downtown. The figure varies a little, from 65 to 70.

Now, it is obvious that, with the continued construction of new office buildings in Lower Manhattan and the large areas in the financial district which can be renovated and rebuilt, we are going to continue indefinitely having the bulk of the commuters going downtown. Now, if you take them up to 48th Street, New York, and they have got to get on the existing subway systems and fight their way downtown, this is just going to make a bad situation in New York City that much worse.

Now, unfortunately, we are so unlike Chicago. In Chicago the entire business district is centered within, we'll say, an area of a mile or a mile and a half, in fact the people who come in by railroad to Chicago, most of them, walk to work. But here, when we land our commuters, we'll say at Hoboken, or you name it, their destinations are anywhere from the Battery to Central Park, a distance of nine miles, Brooklyn and Queens. No matter where your station is located in New York, it is only going to serve a few people.

I would also like to point out that I feel very strongly that the entire suburban transportation problem of Northern New Jersey is not the problem of the Port Authority. Part of it should be. But it goes beyond that. The private enterprise railroads have got to show some interest for a change. The New Jersey Department of Transportation has got to do a little bit more than just talk about improvements. We would like to see some improvements. This whole problem of transportation, getting a worker from his home in Jersey to New York, has been the subject of a pile of studies that would probably reach up to this ceiling, with very little done.

We have another problem which is equally important,

the problem of getting the workers, the people who live in Jersey City, Newark, New York, the urban areas, out to Morris County, which is crying for workers. And, unfortunately, the cost of living out in Morris County is so high that no blue collar worker can afford to live there. Consequently, we say, if the County is going to continue to develop, industrially, we must make it just as easy for the man who lives in the city to come out to the country to work as we try to make it for the man in the country to come into the city to work. So I just want to say, gentlemen, that the entire problem of improving getting the man from his home to work and back again - the Port Authority should participate and share in it but it should not be expected to do the whole job.

I think I have used up my five minutes, gentlemen, so I will stop here. [Mr. Taber's written statement on page 76A.]

ASSEMBLYMAN WILSON: Senator DeLufo?

SENATOR DEL TUFO: Mr. Taber is from Morris County. I am a Senator from Essex County, so I am not trying to garner his vote. It think it behooves me to make this statement, that Mr. Taber has been in mass transportation for years and has laboriously given of his time. It was his Committee, through the efforts of himself, that donated to the Federal Interstate Relations Committee an expert by the name of Albert Blumquist who did a job in giving to me a report which counteracted the allegations or the statement of the New York Port Authority which stated that the spur to the Airport would cost \$60 million, where Albert Blumquist, thanks to the lending of that expert to us by Mr. Taber, said it would cost \$20 million. This was a mapped chronicle, and a beautiful report. He was ready to testify before the Committee and, unfortunately, died. I think it's wonderful when men of that type, or Bell Telephone or the New York Bar Association can lend their means to help something like this. I had to make this statement. I owe it to the Morris County Commission to make it. They give so much of

themselves.

Now I am going to ask you only one question. You are familiar with the PATH extension that has been wanted. I think you are familiar with the recommendation made by the Port Authority as to their connector with the Penn Central. In your estimation, which would you prefer?

MR. TABER: I have not seen as yet, Senator, the latest proposal. There are certain things that I think are important. I think one thing is, in connection with Newark Airport we should know where the people come from who are going to take planes at Newark Airport and where their final destination is when they arrive at Newark Airport, because unless you have an idea of the distribution of the traffic, then it becomes more difficult to decide how to do it.

Now there is one very serious problem, for example, where, if you had an extension of PATH from New York, we'll say, through Newark to the Airport, - in the first place, that line is so overloaded during the rush hours that any poor buzzard even carrying a flight bag who tries to shoehorn into one of those trains in the rush hours would have a rough time. In fact, there just is not the track capacity in the tunnel during the rush hours to provide special trains for the Airport.

SENATOR DEL TUFO: Are you familiar with their new proposal?

MR. TABER: I have not seen the latest one, no, sir.

SENATOR DEL TUFO: You have not.

MR. TABER: No, sir.

SENATOR DEL TUFO: Then you can't help us with that.

Now, as to the question of the City Subway, it was very interesting to me Last Friday that I left the Bar Association Building at 5:15 --

ASSEMBLYMAN WILSON: New York City, that is.

SENATOR DEL TUFO: New York City, and I took PATH and then changed to the City Subway and I was home by a quarter

to six. That not only shows you the need for mass transit but also plugging your subway. That is such a valuable system. I hope something can be done about that. It's like the eighth wonder of the world.

MR. TABER: Well, Senator, you have a wonderful potential traffic center between that new gateway development right across the street from Penn Station. You have a bus terminal there and you have the street cars right underneath it. That is an ideal traffic center to start there, radiating out from Newark.

Mr. Chairman, if I may make one quick observation, which is related to this. I grew up in the life insurance business and in New York State where we think they have one of the best insurance departments. Our company, along with every other, was audited by the State every third year. Now the auditors who came in, and they were good men, - I know because I happened to work with them - would have representatives from other states. But in the life insurance business it has been customary to have a very detailed and exact audit which is published and made public every three years. And I certainly would recommend to you, gentlemen, that similar legislation be enacted that will call for any Authority of this sort to be audited tri-annually and the report made public, and you might even want to prescribe the particular items which should be included because, as all of you with accounting experience know, the thing that will do you in is your allocations and reserves - cash is easy, but it's when you start setting up reserves and allocations that you get in trouble.

SENATOR DEL TUFO: Just one more question and I am finished. I think I owe it to the Committee - when I made the Blumquist Report available to the Port Authority, I think I owe it to the Committee to the Port Authority to say that they became very cooperative, they were available at any time for a hearing. And I told them that I was interested in a spur. I did receive cooperation from the Port Authority.

ASSEMBLYMAN WILSON: Assemblyman Thomas?

ASSEMBLYMAN THOMAS: First, let me say, Mr. Chairman, Mayor Taber has labored diligently, relentlessly and successfully on behalf of the commuter and mass transit, on his own time, without any remuneration except the satisfaction of doing a good job. And we are very happy to have him in Morris County. I'm not too happy with some of the mail I get because he doesn't ever let up on us but we are glad to have him.

Now, I don't know, Mayor, if you were here when the Executive Director of the Bergen Transportation System testified. He indicated that since 1966 rail passenger loads started increasing whereas the passenger loads on buses had leveled off. Do you have any information that would bear out what he said? Do you agree with that statement?

MR. TABER: I can confirm what Mr. Tilley said because we have seen a phenomenon on our railroad in the last year or so where, without any improvement in service --

ASSEMBLYMAN THOMAS: Which is "our railroad"?

MR. TABER: The Erie-Lackawanna -- without any improvement in service, without any merchandizing or marketing or a darn thing, the traffic is going up. And this is true on the other railroads because the conditions on the highways are becoming so impossible because we have all the new roads out in the country but it's just like this, they all come down to a focal point and that's where everything stops. So that we are seeing a gradual increase in the use of mass transportation of either buses or the trains, particularly, and this is going to continue if the service is improved and if the service is made attractive to the user.

ASSEMBLYMAN THOMAS: You have proposed over the years that there be a tie-in between the Erie-Lackawanna and the Pennsylvania Railroad so that the commuter on the Lackawanna Railroad could go all the way to New York without having to stop at Hoboken and transfer to another

means of getting into New York City. Where does this proposal stand at the moment?

MR. TABER: I would like to know because we originally proposed this ten years ago. But, as you know, Mr. Thomas, the least expensive and simplest proposals do not get off the ground because they're too cheap and they're too easy.

ASSEMBLYMAN THOMAS: What would that cost?

MR. TABER: Well, at the time that our Consulting Engineer, Mr. Blumquist, made all the studies, he estimated that making the physical connection between the Erie-Lackawanna and the Pennsylvania on the Meadows, and equipping forty of the present electric cars for dual service - and this is no trick, incidentally, to have cars that will run on two different kinds of current, because over in Europe they have any number of trains which take four different kinds of current and they switch from one to another without even stopping - at that time, Mr. Blumquist estimated less than \$4 million. But the trouble was, the Pennsylvania Railroad always adopted a dog-in-the-manger attitude and would not permit any other railroad to use their facility, even though there was ample capacity. Now, this was one of the reasons why we advocate that the Port Authority, with some Federal financial assistance, take that over and operate that just as they do the bus terminal, let the trains of these different railroads come in and use it just as the buses use the bus terminal, or the steamships use Port Newark and Elizabeth, or the different airlines use Newark Airport.

ASSEMBLYMAN THOMAS: You're not talking about Penn Station in New York?

MR. TABER: Yes. Sure.

ASSEMBLYMAN THOMAS: Have you had occasion to discuss the Erie and Pennsylvania tie-in with Commissioner Kohl?

MR. TABER: Oh, yes. We've discussed that thing. We keep discussing it and discussing it but the seed falls

on barren ground, at least as far as getting anything done.

ASSEMBLYMAN THOMAS: Are there any reasons advanced for not going ahead with this plan?

MR. TABER: Basically, the Pennsylvania didn't like it and what the Pennsylvania wanted in the transportation field in New Jersey, it got, or didn't get.

ASSEMBLYMAN THOMAS: Since their receivership, hasn't there been any change in attitude? Has not the State gotten itself into a position where they have some leverage because of the subsidies they are using?

MR. TABER: I would say that today would be the best time in the world to forward something of this sort because the Pennsylvania desperately needs money. I think the Congress in Washington would like to help by putting up some capital money for a legitimate, proper purpose, and certainly this would be, and certainly I don't believe you would ever get a better bargain than you're going to get today.

ASSEMBLYMAN THOMAS: Thank you.

ASSEMBLYMAN WILSON: Assemblyman Koppell?

ASSEMBLYMAN KOPPELL: Yes. Let me say first that I was most impressed by some of your suggestions here. They indicate not only a familiarity but an imagination, some of them dealing with connecting the subway system to - New York City Subway system to PATH. It has been suggested to me and I might point out the suggestion came from the Borough President of the Bronx, and I wondered whether you had -- the suggestion was that PATH has excess car capacity at certain times of the day and perhaps at certain times of the year - can PATH cars travel on any of the routes of the New York City Subway System? In other words, is the width of the cars amenable to this?

MR. TABER: I am not in a position to give you a good answer on that. Now, years ago, when we first suggested to then Commissioner Patterson the possibility of extending Flushing - 42nd Street Crosstown Subway over to Jersey, he

was very favorably impressed with the idea because that has the advantage of merely extending something which is in being, which has equipment already, so that you do the job for a low cost. And, furthermore, as you know, that 42nd Street Crosstown Subway connects with all of the north and south lines.

ASSEMBLYMAN KOPPELL: Right. But you don't know whether the cars of PATH would run on the IRT.

MR. TABER: Well, you've got a very difficult problem on the New York City Subway. The old IRT cars, right away, are smaller. The BMT and the Independent cars are about a foot wider than the IRT.

ASSEMBLYMAN KOPPELL: And PATH cars, how do they relate?

MR. TABER: I don't know. I would suspect they are more like the IRT's because the original tunnels downtown were not very large.

ASSEMBLYMAN KOPPELL: The suggestion was, they are identical in width, but you don't know that.

MR. TABER: Could be. You know, I wouldn't know but that's easy to find out.

ASSEMBLYMAN KOPPELL: Would you find that out for me?

MR. TABER: I will endeavor to do so.

ASSEMBLYMAN KOPPELL: The wheel base, too. See whether the cars would run on the tracks of both systems.

MR. TABER: If they will go round the curves, that's always important.

ASSEMBLYMAN KOPPELL: O.K. Let me ask one other question. Have you taken any position on increases in tolls on the river crossings, if those increases would go directly to help subsidize mass transportation?

MR. TABER: Well, my feeling has always been this, Assemblyman. It seems silly for the Port Authority to offer reduced rates for people to go through the tunnels during the rush hours, a vehicle with one person in it getting a

discount and thus adding to congestion which may go back several miles. In my book, the toll should be reversed. The car which has one person in it should pay five times the amount of toll that the car does which has five people in it.

ASSEMBLYMAN KOPPELL: Let me ask you this. When I asked Mr. Tobin about this last week, about increasing the tolls in one way or another, I threw out the possibility of doubling it but I don't think I restricted it, he suggested there would be tremendous political opposition. Do you think people in Morris County and elsewhere might be made to understand the benefits of increased tolls to subsidize the better mass transportation system?

MR. TABER: It has been done in other places. I would think again, if it's within reason, you might even suggest to Mr. Tobin that the amount of money that the Port Authority saves by doubling the toll in one respect and getting rid of the toll in the other, which would cut their tolltakers about in half, that that amount of money that they would just save on that one thing alone, would make a reasonable contribution to the improvement of mass transportation.

ASSEMBLYMAN KOPPELL: Thank you, Mr. Taber.

ASSEMBLYMAN WILSON: Thank you, Mr. Taber. As Chairman of the New Jersey Commission, I would like to thank you for your help in the past in regard to mass transportation and the information that you send to us as members of the Legislature. I read it, as the rest of us do. You have done a lot to help in this field. Thank you very much.

MR. TABER: Thank you, gentlemen.

ASSEMBLYMAN WILSON: Our next witness will be Charles Hall, Greater Newark Chamber of Commerce.

S T A N L E Y O S O W S K I: Mr. Chairman, honorable members of the New Jersey and New York Legislatures, I am Stanley Osowski, Vice President of the Greater Newark

Chamber of Commerce. It had been intended that Charles Hall would give his testimony but, because we're running a bit behind schedule, he had to leave and take care of some other City problems. So I will endeavor to take care of it for him.

New Jersey, the most urbanized state in the union, is a vast complex of residential, industrial and commercial areas over which is superimposed a criss-cross network of crowded highways. Especially in the overcrowded northeastern section of the state, we are rapidly running out of room to accomodate more private automobiles. We are faced with the inescapable conclusion that we must reach a better balance between mass transit and private travel - and we must do that without further delay.

Mass transit both by rail and highway has long been neglected and allowed to deteriorate. Many people no longer have access to mass transit lines, and many of those who do choose private travel because mass transit is slow, dirty, unreliable and inconvenient.

Yet mass transit is an important element in relieving our overcrowded highways. It must be so improved that it can effectively compete with private autos as a method of travel.

Let us go right to the core. Vast infusions of money are needed urgently to rebuild our dying mass transit systems and to build new ones. There is no hope that existing systems can meet the challenge that faces us right now. For years we have been using "band-aid" methods on mass transit when major surgery is required. If we start now, we can still arrest the impending total paralysis of northeastern New Jersey highways.

The Port of New York Authority is surely aware of this and is doubtless concerned for the well-being of the area. It would therefore behoove the Port Authority to use its full capacities to promote and develop the required mass transit.

But the Port Authority alone, despite its large size and demonstrated competence, cannot possibly meet all of the needs for mass transit. The State and Federal Government must both do considerably more than they have to insure that an adequate mass transit system is built. It is long past time that everyone realized that we are faced with a situation which will not be resolved simply by ignoring it.

Furthermore, in planning such a system, we can no longer pretend that all people are traveling into or out of New York City, nor can we build our transit systems in that manner. New York is a major hub, of course. Many people who live in New Jersey travel to jobs in the city. Some of them make a daily trip of 50 miles or more each way to get there. Nevertheless, the vast majority of New Jersey's workers, over 83%, travel to jobs within the state. Added to this all the non-job related travel in New Jersey, and it is evident that, important though it may be, crossing the Hudson River cannot be looked upon as the only objective of most transit systems.

As to the specific rail transit proposals brought forward by Governor Cahill, particularly a rail link with Newark Airport, construction of a new trans-Hudson tunnel, take over of Penn Station in Newark, and extension of PATH, there is no doubt that they have potential of major importance to northeastern New Jersey and that the Port Authority has a definite responsibility to fully consider all it might do concerning them.

Despite the urgent need to get improvements started, we cannot recommend that they be undertaken without first being subjected to careful study, however. All too often major projects are begun without regard for needs beyond the present. On the other hand, we have all seen examples of studying a project "to death." This must not be allowed to happen here.

The Greater Newark Chamber of Commerce recommends that appropriately qualified independent consulting organizations be retained to assist with and review each of the projects in conjunction with Port Authority staff. The organizations chosen must be free of pre-determined opinions and must be prepared to assess long-range needs, possible alternatives, and application of new technology and innovations.

The use of independent consulting organizations is a frequent practice of the Port Authority. But the organizations employed should be reminded that their primary responsibility is to ensure that the transportation needs of the area will be realized.

The proposed projects have all been considered before; some have already received a great deal of study. Much of the studying, however, has been geared to meeting present needs when what must be considered are the needs of the future. Nevertheless, considerable ground work has already been done, which should reduce the time needed to complete the studies.

It cannot be overemphasized that we must begin, on all levels, to place more emphasis on improvements and expansions of our mass transit systems before it is too late.

As to the matter of Port Authority payments to the city of Newark, both Newark Airport and Port Newark stand on land owned by the city itself. For use of this property, the Port of New York Authority pays the city a contractually specified amount each year.

From 1946 to 1966 this sum was \$120,000 annually. In 1966 a new contract between the Port Authority and the city raised this annual payment to \$1 million. However, because of expenses related to the various construction projects underway at the airport, the Authority and the Addonizio administration agreed to a 42 percent reduction in rent to \$579,000 annually for the five year period of 1971 through 1975.

It is the opinion of the Greater Newark Chamber of Commerce that this latest agreement should be renegotiated so that the amount paid to the city by the Port Authority more nearly reflects the amount that tax payments would be on the properties used for non-public purposes. Through this method, the commercial facilities which are actually used to produce income would be responsible for what is, in effect, a payment-in-lieu of taxes.

Thank you, gentlemen.

ASSEMBLYMAN WILSON: Are there any questions?

[No response]

Thank you, Mr. Osowski.

ASSEMBLYMAN WILSON: For the record, I would now like to enter a statement into the record by Mr. Alan Canter, who is Director of Planning for Jersey City.

[See page 81 A for written statement submitted by Mr. Canter.]

I would like to enter into the record a statement by Professor Abraham Stein of Pace College, who also has some information that would be of importance and interest to the members of the Commission.

[See page 85 A for written statement submitted by Professor Stein.]

I would now like to call Kenneth L. Walker, who is President of the New Jersey Association of Realtor Boards.

K E N N E T H L. W A L K E R, J R.: Distinguished legislators from New Jersey and New York: My name is Kenneth L. Walker, Jr. I am a licensed real estate broker with offices in Holmdel and Shrewsbury in Monmouth County, New Jersey.

I appear before you today as President of the 3,200 member New Jersey Association of Realtor Boards. Our Association is comprised of 39 local real estate boards, 23 of whom are within the Port of New York Authority's sphere of influence.

The Realtor Association is most appreciative of the opportunity to appear before the Joint Legislative Autonomous Authorities Study Commission to voice our position regarding the role of the Port of New York Authority insofar as the mass transit system of the greater metropolitan area is concerned and also the Port Authority's obligations with regard to "in lieu of tax payments" to our municipalities.

At the outset, let me state for the record that the New Jersey Association of Realtor Boards is not expert in the field of mass transportation or in the operations of the Port of New York Authority. However, we do feel that this should not disqualify us or minimize our presentation today because from where we sit, there are very few experts in

the field of mass transportation or the operation of the Port of New York Authority.

Real estate values and the future economic development of the State of New Jersey are directly related to how well and how soon the short haul mass transportation problem is solved.

Because of its great achievements over the past 40 years which have benefited the people and the economy of the entire Port area, it is difficult to come here today and criticize the Port of New York Authority. However, despite its proven track record of accomplishments we feel the Port of New York Authority has been insensitive to the will of the community it was created to serve.

The Port of New York Authority's master plan which places emphasis on every phase of transportation except rail, is ill-conceived and not in the best interest of the people. The day is fast approaching when a trip from Livingston to Newark Airport will be more time consuming than the flight from Newark to O'Hare Field, Chicago, Illinois. Assuming you do not run into a traffic jam which would make you late for your flight, the search for a parking space surely will.

The Legislatures that created the Authority should assume the role the Authority seems to shirk and state emphatically that no new projects may be undertaken unless the necessary mass transit facilities are created

either by the Authority alone or in cooperation with other governmental units.

New bridges, additional tunnels, and double checking of facilities meant to accommodate the automobile are not realistic considering that new highways no matter how fast we create them cannot alone answer our metropolitan transportation problem.

Ecologists and scientists assure us unless there is a drastic change by 1990 or sooner the air in the New York area will be unfit to sustain life. You and I know that the greatest contribution to the poor air quality in our region is the internal combustion engine. Despite repeated warnings of what is to come the Realtors cannot foresee any appreciable move towards creating a different transportation system that will reduce dependence on the automobile for short haul commutation.

There has already been speculation that all but essential motor vehicles may be banned from the island of Manhattan. When this day comes, will we in New Jersey then look forward to having our Palisades converted into huge parking lots covered with asphalt?

If there were no major air pollution problems to concern us, the present transportation scheme still would not make sense because of

other negative forces which result from dependence upon highways to move commuters.

Today the cities of Newark, Elizabeth, Hoboken, Jersey City and Union City cannot afford one new highway cutting through their areas. Stop and consider the dollar loss these communities have lost because valuable tax ratables were removed to make way for highways that would speed the commuter from his home to his job. The economic loss to these communities is such that in combination with other factors these cities teeter on the verge of bankruptcy.

In addition to the loss of ratables, housing is destroyed and families are forced to pull up their roots and move into other areas, thus putting further strain on the remaining housing supply. Overcrowding such as we are witnessing today has been a contributing factor to the creation of our slums. The magnitude of the relocation problem has finally resulted in the Federal Government's insistence that a workable relocation program must be instituted before any federal funds may be used for new highway construction. Because of our present housing shortage, this Federal mandate has slowed down highway construction to the point it is almost nonexistent in densely populated areas.

The last compelling reason highways are not the practical solution to our problem is the high cost to construct a road in our area. Ten or fifteen million dollars per mile is standard for construction in our area. With other pressing priorities on our tax dollars, does complete dependence on highway construction make good sense?

We don't think so.

If history is indeed a teacher then we should look to the situation in Los Angeles, California to demonstrate the foolishness of "putting all of our eggs in one basket."

The more highways and freeways Los Angeles has built, the more automobiles it has put on them. Today 25% of the Los Angeles land area is taken up by streets, expressways and parking facilities. Two-thirds of Los Angeles' downtown district is so pre-empted.

We feel the Port of New York Authority's role must be expanded to mandate its talent and expertise be used in working toward a co-ordinated mass transit system. Any organization that could master the engineering and logistical problems of the Trade Center project should have no difficulty in pulling together to create and coordinate a mass transit system. A mass transit system also improves and creates higher property

values, resulting in new tax ratables which our municipalities so desperately need.

The second area the N.J.A.R.B. feels needs legislative attention is in the area of "in lieu of tax" payments by the Port of New York Authority to the municipalities wherein its facilities are located.

The staggering costs of services by local government has forced the property tax rate to the point where it is almost confiscatory. It therefore makes good sense to reappraise the crazy quilt patchwork approach to "in lieu of tax" payments that have been allowed to grow through the years with no thought given to the dollar cost of the municipal and county services rendered. We also feel those commercial enterprises which are not directly related to the actual public facility should pay the going tax rate and should not be allowed special status because they are associated with an Authority facility.

The harried property taxpayer who reads the utterances of the Authority spokesman concerning tax payments can only shake his head in disbelief.

Why should everything in the world be subject to change and review except the duties and responsibilities of the Port of New York Authority?

In conclusion, we would like to state that over the years New Jersey has not benefited on an equal basis with our neighboring State of New York when it comes to the operation of the Port of New York Authority. For instance, we feel in the area of mass transportation the two states should participate on an equal basis.

Remember, if we did not have a Port of New York Authority today, the Legislature would have to create one to coordinate the mass transit system we so desperately need. The challenge is to redirect the Authority's efforts and create a set of priorities responsive to our needs.

Gentlemen, thank you for your attention.

ASSEMBLYMAN KELLY: May I ask you a question, sir?

MR. WALKER: Yes.

ASSEMBLYMAN KELLY: Are you familiar with the MTA in New York?

MR. WALKER: Remotely, yes.

ASSEMBLYMAN KELLY: Do you know that we subsidize that - the State does?

MR. WALKER: Yes, I do.

ASSEMBLYMAN KELLY: Suppose we put the Port Authority into mass transportation, as you say here, wouldn't we then eventually have to subsidize that setup too?

MR. WALKER: It is very possible you would, Assemblyman, yes.

ASSEMBLYMAN KELLY: Aren't we then destroying that which we created to do good wiping it out in order to meet our present needs, and then the future would go to pot more or less? Wouldn't that be true?

MR. WALKER: I don't know whether that would be true. But certainly there must be some way through subsidy by the state that these authorities could -- in other words if they have been created and under their bond situation, they cannot take on projects which run in the red, possibly through state appropriations this could be a subsidy to help them end up in the black.

ASSEMBLYMAN KELLY: Let me go back a little bit. Would you agree maybe we could do it on a formula basis so that they could be self-sustaining in one way and we supplement them in another? Is that what you mean?

MR. WALKER: This I concur with, yes.

ASSEMBLYMAN KOPPELL: The tenor of your remarks today, as I take them, are in accord with the oft-stated objective of the head of the MTA, Mr. Ronan, who incidentally is on the Port Authority Board - rubber to rail. When I questioned Mr. Tobin last week, he indicated that if the tolls on the river crossings were doubled, it would provide about \$70 million in additional revenue and no really substantial reduction in traffic would result. I asked him then, "Why don't you do it and get this money for us?" He said, "Well, there has been uniform political opposition to that step." Do you think that is a politically impossible step for the Port Authority to take?

MR. WALKER: I certainly do not.

ASSEMBLYMAN KOPPELL: Thank you.

ASSEMBLYMAN WILSON: Are there any other questions?

(No response.)

Mr. Walker, I want to thank you. I particularly was impressed with your remarks where you pointed out we learn from experience, and that would be in Los Angeles today where you have 25 per cent of the land taken up by

streets, expressways and parking facilities. I wouldn't want to pave Essex and Bergen Counties and I think your suggestions are well taken.

MR. WALKER: Thank you, Assemblyman.

ASSEMBLYMAN WILSON: Our next witness, who is last but not least, was at our hearing in New York City and is also here today. He is Mr. John Kraus, Chairman of the Inter-Municipal Group for Better Rail Service, which represents municipalities, I believe, in Middlesex and Union Counties. Is that correct, Mr. Kraus?

MR. KRAUS: And Somerset.

ASSEMBLYMAN WILSON: And Somerset County.

J O H N F. K R A U S: It is commendable to appear before this Joint Commission of the Legislatures of New York and New Jersey, who are working together in the review of the Port Authority operations. And it is appreciated that I have been invited to appear before you on behalf of the Inter-Municipal Group.

I appear at this hearing as a former Commissioner and Secretary of both the State and Bi-State Metropolitan Rapid Transit Commissions and on behalf of the Inter-Municipal Group for Better Rail Service, whose membership consists of the officials of fifteen municipalities in Middlesex, Somerset and Union Counties on the main line of the Jersey Central and the Union County Board of Freeholders. Our Group was formed on December 21, 1945, for the purpose of assisting in the solution of the problem of mass transportation at reasonable rates in the northern New Jersey-New York metropolitan area. Early in 1946 our Group concluded that one of the keys to the long-range solution of the problem was the consolidation of the wasteful and expensive duplicating terminal facilities of the competing railroads.

Nothing has been done in this matter and as a result, service has been continually degraded while costs, both direct and indirect, have been rising. During the period of the

New Jersey State Highway and Transportation Department's operation of the railroads, contrary to statutory requirements, we have seen:

1. The abandonment of LVRR passenger service.
2. The disappearance of Reading Railroad passenger service from the Elizabeth-Somerville area.
3. The erosion of Jersey Central passenger service and removal of many miles of main line track.

The State Highway Department and its successor Department of Transportation have continuously degraded Jersey Central rail passenger service while increasing subsidies. More than \$35 million has been spent from 1960 to date for Jersey Central subsidies, increasing as service was degraded from \$1.1 million per year in 1960 to a maximum of \$7.1 million, for approximately one half the trip and a small fraction of the trains.

During the same period of State Highway and Transportation Department operation, Jersey Central passenger service in terms of number of trains and time in transit was degraded below that of 1902 before the introduction of the Aldene Plan. After spending tens of millions of dollars on studies and capital improvements, service was degraded to the "horse and buggy" days by the use of a dead-ended operation, using two trains and crews to do what could not be done economically with one train and crew, reducing the number of trains during the peak hours by 46% with an increase in time in transit, fares, discomfort and inconvenience.

Our Group opposed the Aldene Plan as a means of maintaining Jersey Central rail passenger service. Former Highway Commissioner D.R.G. Palmer, who conceived the Plan agreed that it was not a long-range solution, but an intermediate, stop-gap measure to reduce Jersey Central costs. The Port Authority-sponsored Metropolitan Rapid Transit Commission said "\*\*\*job of transporting railroad passengers to Manhattan could not be adequately handled by the H&M(now PATH) alone or in combination with rail-bus transfer\*\*\*". The Regional Plan Association stated that "separate rail systems, linked at the ends\*\*\*slowing the total trip and adding discomfort at the end seems the wrong direction to serve the Region's transportation needs."

The most comprehensive study for engineering the bi-State rail terminal facility, completed in 1958 by the Port Authority-sponsored Metropolitan Rapid Transit Commission at a cost of over \$1.25 million, recommended an independent loop plan for the long-range solution to the rail passenger problem.

There is a simple, low cost and expeditious solution for the critical rail passenger problem, which is not to be found in more time consuming studies but by directing the existing, capable and experienced Port Authority to solve the problem in accordance with existing statutes, Chapter 244, Laws of New Jersey 1930. For many years our Group has recommended to the Governor and Legislature that the Port Authority do the job for which it was created.

Dr. Salomon J. Flink, Consultant to the New Jersey Legislature, stated in 1958:

1. The Port Authority represents the most effective means of putting a plan into operation in a relatively short time because of its available manpower, technical know-how and managerial experience, so that it will fit into the overall program of developing the region.
2. Only a single agency, the Port Authority, can insure a high degree of complementation among the various alternatives for commuter travel between the two States. The establishment of a separate authority would perpetuate the competitive imbalance of past decades.
3. A deficit is probable, but not definitive. Such deficit could be financed by subsidy, which in all probability would be temporary only - until net revenues from their facilities, old and new, would yield the anticipated surplus. In any event, if a deficit is incurred, such deficit would be significantly smaller than a deficit by a separate authority.

That the Port Authority should assume this task is also supported by the following:

1. New York-New Jersey Port and Harbor Development Commission (now Port of New York Authority) Report of 1920: "Our port problem is primarily a railroad problem \*\*\*therefore, the comprehensive plan to evolve for which this Commission was created is essentially a railroad plan. \*\*\*The most pressing element of the entire port problem is that of railroad service to and from Manhattan."
2. Chapter JR6, Laws of New Jersey, 1963: "The increasing concentration of industry and population within the portion of the Port of New York District lying within the territorial limits of the State of New Jersey has created and to an increasing degree will continue to create a demand for more adequate interstate and suburban transportation facilities for passengers travelling within said district between the two states and between different communities within said district;\*\*\*The Port of New York Authority is a governmental instrumentality of the States of New Jersey and New York created for the purpose, among other things, of coordinating and developing transportation facilities within the port of New York District."
3. Regional Plan Association, Commuter Survey Report of July 1951: Solution of rail problem is the "responsibility of the Port Authority and is its duty under existing statutes."
4. Alexander H. Elder, retired General Counsel of the Jersey Central and former member of the Metropolitan Rapid Transit Commission, said in his 1952 report to the New Jersey Department of Conservation and Economic Development that the primary purpose in the creating of the Port Authority was to solve the rail problem in the New York metropolitan area. He said that New Jersey was induced to enter the Compact to realize the benefits of the Comprehensive Plan - the unification of railroad terminal facilities, which the Port Authority abandoned, shifting instead to vehicular tunnels, bridges, airports, etc., which instead of promoting the original plan have had the opposite effect. He recommended that the Authority return to the real purpose and intent of the Compact.

5. 17 N.J.Super. 328,85 A2d 815 (R.S.32:1-4): "The Port of New York Authority is a bi-state agency of the States of New York and New Jersey, created in 1921 by compact, approved by Congress on August 23, 1921, and in the interests of the public performs governmental functions projecting beyond state lines."

An integrated transportation system requires rail rapid transit as an integral part, as well as economic integration of the several parts. Pricing must be complementary, not competitive. Only a single authority, the Port Authority, can do this.

Rail transit is but an alternate to tunnels and bridges where profitable facilities subsidize the unprofitable facilities. All Port Authority facilities, with the exception of the Holland Tunnel, have been or still are deficit operations and operate on a pooled revenues basis. Therefore, it is more reasonable to charge a toll to the user of an auto tunnel to make up, in part, the loss on rail operations, which he prefers not to use, than to charge him a toll to help cover the deficit on an airport or a world trade center which offers no alternatives to his travel from home to work.

The question of Port Authority responsibility in this matter was answered by the New York Times editorial of March 28, 1960, "Those who from time to time complain that the Port Authority has too much power should remember that its growth has been voted every step of the way by elected representatives of the people. The States, their Legislators, their Governors have made the Port Authority what it is today\*\*\*."

The time is long past for consideration of public interest and need.

Therefore, our Group again strongly urges:

The long-range solution in the form of the "Independent Loop" Plan recommended by the Port Authority-sponsored Metropolitan Rapid Transit Commission, including rail connections to the airports, be adopted by the States, and steps be taken to implement it without delay.

Thank you, gentlemen.

ASSEMBLYMAN WILSON: Any questions? Assemblyman Koppell .

ASSEMBLYMAN KOPPELL: I would like to ask you the same question I have asked several other witnesses because I would like to get the feeling of those who are in touch with people of the State of New Jersey. I take it from your statement at the bottom of page 3 that you endorse the concept of profits or surpluses from automobile facilities supporting potential deficits from rail facilities.

MR. KRAUS: That is so.

ASSEMBLYMAN KOPPELL: Do you think that politically the people of New Jersey of the areas that you represent or are speaking for would be willing to accept increases in tolls if they could be assured that that would mean more money for rapid transit and improvement in service?

MR. KRAUS: I think that is a question, Mr. Koppell. From our point of view, we have recommended that for years. From a political point of view, I don't think it would be too rough. However, I think of it in terms of people who are forced to pay an increased amount of money for that toll and like any rate increase, it isn't very palatable.

I might add that in 1955 - I guess it was earlier than that - in '54, when the New Jersey and New York Metropolitan Rapid Transit Commissions met in the Bar Association Building uptown, that Goodhue Livingston of the New York City Planning Commission recommended that tolls not only be increased but that every bridge and tunnel entrance into Manhattan be tolled and those moneys used to bring up the mass transit facilities and at the same time reduce traffic congestion in Manhattan.

ASSEMBLYMAN KOPPELL: I see where you say that you don't think the commuter transportation facilities would necessarily be deficit operations. What is the basis for that statement?

MR. KRAUS: It has been from my conversations with the engineering firms that participated in the Metropolitan Rapid Transit Commission studies. I think a great deal of that can come out of the detail work that was done subsequent to the MRTC studies by Dr. Doig of Princeton and published under the name of Metropolitan Transportation Politics in the New Jersey-New York Metropolitan Area, published by Columbia University Press.

ASSEMBLYMAN KOPPELL: Is it a book?

MR. KRAUS: It is a book.

ASSEMBLYMAN KOPPELL: Is it still in print?

MR. KRAUS: That I don't know.

ASSEMBLYMAN KOPPELL: What is the name of the author?

MR. KRAUS: Dr. Doig, Professor of Economics and Political Economy at Princeton.

ASSEMBLYMAN KOPPELL: Is Dr. Doig still alive?

MR. KRAUS: Yes.

ASSEMBLYMAN KELLY: If we did what Mr. Koppell said, increase the tolls, wouldn't that chase people into mass transit and make things even worse?

MR. KRAUS: If you increase the tolls, I am assuming that you would use the increased revenues for the purposes of improving mass transportation. And we feel that people in this corridor or in the New York Metropolitan area should travel by rapid transit facilities, not only for the ecological reasons but also from the point of view that our highways cannot stand any further diversion from rail to rubber.

ASSEMBLYMAN KELLY: I understand what you are saying and I agree with that. But assume the tolls we have now are doubled and made \$2 and the people who ride in cars say, "To hell with this," and go over to the transit facilities. Then you won't get the \$2. You get nothing.

MR. KRAUS: My experience with people in automobiles is an average person riding a car will wait by the hour in traffic and it won't bother him. But if he has to wait five minutes for a bus, he gets excited. And in a great deal of the travel on the highways to New York, I don't think you will lose very much revenue, if any.

ASSEMBLYMAN KELLY: There is a lot to what you say.

ASSEMBLYMAN KOPPELL: Let me just ask this: You mentioned here this independent loop plan. I know a little about it. Can you briefly describe what that would be?

MR. KRAUS: Yes, the independent loop plan contemplates the building of two tunnels, one downtown and one up, a tie-in between the two tunnels in Manhattan, so that you have a closed loop operation rather than a dead-ended station, such

as many have proposed in the last 40 or 50 years. The loop plan would enable any railroad to get into the loop and travel throughout Manhattan for the discharge and also for the entry of new passengers, rather than stopping at a dead-end station and having that congestion that now occurs at the PATH tunnel in Manhattan downtown or in Penn Station in the evening or in the morning.

ASSEMBLYMAN KOPPELL: Would this be possible with the present tunnels or would you have to build new tunnels?

MR. KRAUS: You would have to build new tunnels. It requires a new tunnel down at the Battery and another tunnel at 50th Street and a new underground subway connection between them, which was proposed to be about Madison and Park Avenues.

ASSEMBLYMAN KOPPELL: Do you think that is still feasible?

MR. KRAUS: Very much so. I was involved in the selection of the engineers. DeLew Cather were the engineers that after many months of going into the qualifications, we in the Commission found that they were the most qualified, they were the ones to make the study, and it was subsequently confirmed by other transit engineering firms.

ASSEMBLYMAN KOPPELL: When was this plan proposed?

MR. KRAUS: This plan was first proposed in 1957 by the Page Report and then subsequently in the 1958 report of the Bi-State Metropolitan Transportation Commission.

ASSEMBLYMAN KOPPELL: And nothing happened?

MR. KRAUS: No. Unfortunately, nothing happened because when the Port Authority took over control because Governor Meyner of New Jersey happened to give it to them, the financial studies were turned down by the State of New Jersey, and because the financial studies were turned down, the whole study was turned down, although they were adopted by the State of New York - by the Legislature of the State of New York.

ASSEMBLYMAN KOPPELL: What was adopted by the Legislature?

MR. KRAUS: The plan as recommended by the Metropolitan Rapid Transit Commission, which included not only the financial study but also the technical plan.

ASSEMBLYMAN KOPPELL: That is the loop plan?

MR. KRAUS: The loop plan was the number one recommended plan.

ASSEMBLYMAN KOPPELL: When you say, "adopted by the Legislature," what ---

MR. KRAUS: In principle, which also included the recommendation for the creation of a Metropolitan District to build and operate the plan in competition with the Port Authority, and that was why New Jersey turned it down in 1958.

ASSEMBLYMAN KOPPELL: In competition?

MR. KRAUS: Yes. When I say in competition, this has been the reason that our group has over the years continually stated that only one authority should operate any mass transit facilities. If we had in 1958 adopted the MRTC plan with a new authority, you would have one authority competing with another, one on rubber and the other on rail. It would be awfully rough and it would be done at the expense of the residents and commuters alike.

ASSEMBLYMAN KOPPELL: Let me go back. You say this was turned down by New Jersey because it would have been in competition with the Port Authority. Was there any indication at that time that the Port Authority was interested in doing it itself?

MR. KRAUS: No, sir. It is my personal belief that the Port Authority made the thing so fantastic with respect to its financial plan that it would never be adopted.

ASSEMBLYMAN KOPPELL: Why do you think the Port Authority is not interested in this sort of thing?

MR. KRAUS: I think their primary interest has been, as stated by Mr. Tobin and other representatives, that they

only want to get into ventures that are assured to be compensating. They have never felt that rail rapid transit could be made to pay. We don't entirely agree with them, but time will tell. On the other hand, if subsidies had to be required, it would be a lot less in subsidization by having one authority handle all facilities rather than having two authorities, one competing with the other at public expense.

ASSEMBLYMAN KELLY: Have you a copy of that loop plan?

MR. KRAUS: I don't have it here. But I can send you a copy of the maps of it, which illustrate the route.

ASSEMBLYMAN KELLY: And any kind of a one- or two-page summary.

MR. KRAUS: I will be glad to do that. We will send it to the Commission.

ASSEMBLYMAN WILSON: Also send a copy of this to Legislative Services so, in turn, it can be entered into the record of this hearing with the testimony.

MR. KRAUS: Counsel advises that we have the complete report on the plan if we can have it back. I would think you want something that each of the members could have it for study.

ASSEMBLYMAN KELLY: Not a voluminous thing.

MR. KRAUS: Something short.

ASSEMBLYMAN WILSON: If you just send a copy of it to Legislative Services down in Trenton at the State House, we will include it in the transcript.

MR. KRAUS: We will be glad to send it to you.

ASSEMBLYMAN KOPPELL: Also I would deeply appreciate if you bring to my personal attention any studies. If you don't have copies of them, at least give me references so I can get ahold of them.

MR. KRAUS: I will be very pleased to do that. If I can have your card at the conclusion of this hearing, I

will be glad to send those to you.

MR. LUSTBADER: Mr. Kraus, in reviewing some of the records of your group, I note that about ten years ago there seemed to be some reluctance or hesitancy on the part of your group to endorse the operation of the railroad, including PATH, by the Port Authority. Is that true?

MR. KRAUS: A reluctance in endorsing the Aldene Plan, I assume you refer to, Senator, was two-fold: One was that it was a double-ended or dead-ended operation, which has not been successful anywhere that I have heard of, which increases time in transit, inconvenience, cost and everything else. Secondly, because the Port Authority sponsored Metropolitan Transit Commission report also stated that PATH or the old H & M could never serve as any long-range solution to our mass transportation problem.

MR. LUSTBADER: What is your position now?

MR. KRAUS: Still the same. We still recommend a loop type of operation, not a dead-ended operation such as Penn Station in New York, because you dump all your trains in and take them out at one time with a loss in time. We recommend that the trains run through Manhattan for the charging and discharging of passengers and this has also been the recommendation of engineering firms over the years. It is a costlier plan but a greater or longer-range plan.

ASSEMBLYMAN KOPPELL: Is that similar to the way the London subway is set up?

MR. KRAUS: To a degree.

[Information submitted by Mr. Kraus can be found starting on page 93 A of this transcript.]

ASSEMBLYMAN WILSON: Mr. Kraus, I want to thank you for your testimony and this brings our hearing to a close. Assemblyman Kelly and I have discussed the possibility of having another hearing at a future date - and we will have a hearing at a future date. We will limit the

number of people that will testify so that we will have a longer time to ask questions, to cross examine the witnesses. Thank you very much.

MR. KRAUS: Thank you.

[Hearing Adjourned]

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APPENDIX TO STATEMENT OF MAYOR KENNETH A. GIBSON

SERVICES PROVIDED BY THE CITY OF NEWARK  
TO THE PORT OF NEW YORK AUTHORITY

The City's Division of Sanitation picks up garbage and refuse in the Airport and Port Newark district. Newark's sewerage system also serves the Airport.

Although the Port Authority has its own police force, they often call upon the Newark Police Department when crimes are committed at the Airport. If a person is arrested he is usually sent to the City's Third Precinct Station and he is brought before our Municipal Court. Larcenies, auto thefts, assaults, and credit-card frauds are among the law enforcement problems that our officers have to deal with. They are also involved in protecting dignitaries who pass through the Airport. Our Police Department reports that during the past decade the number of central complaints they have received from the Airport has increased four-fold. The number of summonses originating at the Airport and processed by the Municipal Court went up five times during the same period. Taxicab license violations at the Airport are handled by the Newark Commissioner of Licenses.

The Port Authority has personnel prepared to deal with plane-crash fires, but fires in parked planes and structural fires (i.e., burning buildings) are primarily the responsibility of the Newark Fire Department. In conjunction with the current expansion program, Airport personnel have consulted with our Fire Prevention Bureau and with our Fire Chief on the placement of hydrants and fire alarm boxes. A fire

alarm system will be installed in the new terminal complex.

The City provides general police and fire protection at Port Newark. Our fire boat protects the waterfront area.

STATEMENT BY PETER J. KOELSCH, CHAIRMAN OF THE MATAWAN BOROUGH TRANSPORTATION  
COMMITTEE, MARCH 12, 1971

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I realize that this hearing is expected to be conducted along serious lines, but if you gentlemen will permit me to digress for a few moments, I would like to quote from a special advertisement which appeared in the Sunday Times of February 28th, 1971. On page 4 of the special supplement, there was an article entitled, "How it All Started," and in that article it said:

"Previously, the Port Authority, in 1960, had proposed to the States of New York and New Jersey that it acquire and modernize as a separate project the bankrupt Hudson & Manhattan Railroad, now known as the Port Authority Trans-Hudson System (PATH)."

I am surprised that the author of this statement, Hans Christian Anderson, did not go on further to give the complete story. Why didn't he tell us that the legislatures of New Jersey and New York were so terrified at the thought of the Port Authority taking over all or most of the commuter facilities, they put through a law restricting the Port Authority to involvement in deficit incurring-rail operations only if the deficits do not exceed ten percent of the general reserve fund maintained by the Port Authority. I dislike very much stories that give us only half-truths.

Another area which I have not seen touched in the many articles I have read on the Port Authority is the composition of the Commissioners, a group whose make-up seems to ensure two strikes against any Port Authority action on money-losing activities such as mass transit. Except for Dr. Ronan, no Commissioner is engaged in the transit field. To be factual, all the rest are more concerned with financial aspects than with people. A check of their business backgrounds confirms this. In general they owe their appointment more to their political affiliations and donations than to what they may contribute to the general welfare of the area encompassed by the Port Authority. They make an excellent sounding board for Mr. Tobin's antipathy toward mass transit and its possible money-losing prospects.

It would be intriguing to find out how the Port Authority itself planned to present its outline extending PATH along the main line of the CNJ through Westfield, Plainfield, and Bound Brook on to Hunterdon-Solberg had the jetport been approved for that point. They do have in their files somewhere a study which would show such an extension to be perfectly feasible and economically practical. It is strange that they could make this fifty or sixty mile connection, but the three or four miles from Pennsylvania Station to Newark Air-

port are as insurmountable as building a bridge across the Atlantic.

Speaking of studies, the Port Authority has long been famous for its complete, extremely thorough studies on any aspect of a project, or for that matter, the complete project, that they are interested in. We have seen many press releases on such studies - particularly where the study is to be used to bear out a Port Authority sponsored project. Surely, there must be a great number of such studies made over the years presently in their files which could be of assistance to the Port area in general. Right now we have several agencies studying the merger of the PC and EL railroads with the aim of getting the EL directly into Pennsylvania Station, New York. In the Newark Evening News of August 9, 1966 an article appeared on the World Trade Center and how Gov. Hughes had given his final blessing to construction of the complex after the delay caused by New York City's insistence on wringing additional concessions from the Port Authority. The paper stated:

"The governor, while Tobin sat by silently, said he was pleased that the Port Authority will make a study of how best to provide new interconnections between the Erie-Lackawanna, Pennsylvania and PATH (Hudson Tubes) railroads in the meadows for improved commutation to downtown and midtown New York."

It is now four and one-half years since that article appeared, but Mr. Tobin is still sitting by silently. Must be a real tough subject.

Thank you, gentlemen, for this opportunity to present a few points on the Port Authority. I know many others will have or have already given you their ideas on this organization, and I hope that in the long run you can find ways to make the Port Authority more responsive to the needs of the people than to the numbers on a balance sheet.

A handwritten signature in cursive script, appearing to read "Peter J. Kolach". The signature is written in dark ink and is located in the lower right quadrant of the page.

March 10, 1971

TO: Mayor Thomas G. Dunn  
FROM: Director Thomas J. Byrnes  
SUBJECT: POLICE RESPONSE TO PORT OF N.Y. AUTHORITY INSTALLATIONS

1. Relative to your recent conversation with Deputy Chief Maloney on the above captioned subject, the following is a compilation of this department's responses to varied incidents and crimes connected with Port of N. Y. Authority installations during the period April 1st, 1970 and March 9, 1971:

|                               | <u>No.</u> |
|-------------------------------|------------|
| Possession of Stolen Property | 3          |
| Bomb Scares                   | 1          |
| Larcenies                     | 36         |
| Atrocious Assaults            | 1          |
| Malicious Damage              | 1          |
| Break & Entries               | 2          |
| Recovered Property            | 1          |
| Deaths                        | 1          |
| Low Flying Aircraft           | 13         |
| Arrests                       | 3          |
|                               | <hr/>      |
|                               | 62         |

2. Some of the above duties not only necessitated the dispatching of officers to make the initial investigation and reports but also required follow-up investigations by the detective division in those case of Larcenies, B & E's etc.

*T. J. B.*  
Thomas J. Byrnes  
Director of Police

TJB/ms

*Public Transportation is a Public Necessity  
and Has Become a Public Responsibility*



Morris County

**The Board of Public Transportation  
of Morris County, New Jersey**

Please Address Correspondence To: P.O. Box 363, Madison, N.J. 07940

**SUGGESTIONS FOR IMPROVING SUBURBAN AND COMMUTER RAIL SERVICE BETWEEN NEW JERSEY AND NEW YORK, WITH PARTICIPATION BY THE PORT OF NEW YORK AUTHORITY, PROFFERED BY THOMAS T. TABER, CHAIRMAN OF THE BOARD OF PUBLIC TRANSPORTATION OF MORRIS COUNTY, NEW JERSEY, MARCH 12, 1971.**

For over a decade the Board of Public Transportation of Morris County - an Official Agency of Morris County Government - has unremittingly fought to protect the public interest in the preservation, co-ordination, and improvement of public transportation in, and for Morris County residents and their neighbors. At the present time our fast-growing County has about ten thousand daily commuters by railroad, and the number of them grows steadily as the population increases. The eastern boundary of our County is about twenty-four miles from the Hudson River, so, since our first rail commuter started his daily journey back in April 1841, we have always been dependent on rail passenger service to carry the bulk of our commuters to New York.

In view of the constantly increasing number of commuters, it is imperative that our presently inadequate rail facilities and service be improved before they are overwhelmed.

It is also time that the badly needed corrective plans and measures be based on what the users of the service - the cash-customers - need and want, instead of the past and traditional policy of "Papa Knows Best". Also, our hard-pressed taxpayers justly demand that maximum use be made of existing facilities and equipment, and that what is now in being be modernized, improved, extended and co-ordinated in order to achieve the maximum potential of these railroad lines. This must be done before more of the public's money is thrown away on endless costly studies which produce nothing constructive, but offer esoteric, or "Pie in The Sky" transportation experiments which obviously are of no benefit to the present generation of rail commuters.

Both the State of New York and New York City have a keen interest in encouraging and increasing the flow of New Jersey commuters to New York City. Because of the New York State and New York City income tax laws, New Jersey commuters are contributing heavily - perhaps up to one hundred million dollars a year - to the financial welfare of the Empire State and its largest city. These commuters do not add to school costs, or to other municipal expenses - including welfare payments - which makes them about the best captive financial contributors any state or city could ask for.

The Port of New York Authority was created in 1921 to improve, expedite and increase the efficiency of handling the flow of commerce in the New York Port District. Certainly the term "commerce" must include the movement of human beings as well as of freight. Consequently the Port of New York Authority should have some interest in, and a responsibility for, participation in the solving of the worsening problem of expediting the flow of humanity morning and night, between the two states.

Back in 1921, the more serious problem was that of improving the methods for handling

freight in the New York Port District. It was aggravated by the competition of, jealousy between, and lack of common sense shown by the railroad serving the area. At that time the flow of rail commuters between New Jersey and New York presented no great problem which required immediate or drastic action. In 1971 the situation is dramatically reversed. The flow of freight by rail between New Jersey and New York has sharply decreased - much of it lost by the railroads to the trucks. However, the volume of rail commuters has sharply increased, and will continue to do so. The continuing growth of suburbs causes commuter problems to worsen each year, and the cost of the needed corrective actions escalates.

The States of New Jersey and New York should expect the Port of New York Authority to assume a more active part in helping to provide a better, faster, more comfortable and convenient service for rail commuters to reach Greater New York. However, the two States must recognize that there are definite limitations as to what the Port of New York Authority could, should, will, and is capable of doing in the field of suburban rail transportation - even with State and Federal financial assistance.

As has been noted in the past, the Port of New York Authority does well those things which it elects to do, but what it may propose may not necessarily be palatable to those to be affected by it, such as the "Aldene Plan" and the "Morris County Great Swamp Jetport" to mention two examples. The Port Authority is primarily concerned with its own financial wellbeing, and seeks projects which will be profitable to it. Although now claimed to be a money-loser, PATH, in the minds of many, may someday become self-supporting. Consequently, it will be necessary for the two States to instruct the Port Authority what projects it wants that monolith to engage in - and then the two States must police the activities to insure compliance, in the Public Interest.

There are really two "Rail Commuter Problems" in northern New Jersey. One is the short-haul, urban, rapid-transit service which should not extend more than fifteen or twenty miles from the Hudson River - the type of service presently provided by PATH. The other is the long-haul suburban or exurban railroad service as represented by runs of twenty to seventy-five miles. Commuters, and occasional train riders, evaluate the attractiveness of the service by speed - the time in transit - and frequency of service, both during the rush hours and at other times of day and night. Obviously, rapid-transit type of service is not suitable for longer runs.

Unfortunately, the private-enterprise railroads now providing a suburban passenger service which is directed and paid-for by the State of New Jersey, show little if any initiative or active interest in improving their service - they are content to provide what the State orders and pays for. Because of this attitude, the State and quasi-public agencies will continue to play an increasingly important part in the planning for better suburban passenger service, with the private-enterprise railroads assuming a diminishing role in that field. This is to be regretted as it could presage eventual public ownership and operation of New Jersey's suburban rail passenger services.

Since its creation in 1921, the Port of New York Authority has constructed, improved, expanded or rebuilt terminal facilities to handle freight and passengers carried by others. It has done an excellent service job. It owns and operates airports - but flies no commercial planes of its own. It owns and operates bus terminals - but none of the busses which use them. It owns and operates steamship piers and terminals - but none of the ships which use them.

We have always believed that this is the proper role for the Port of New York Authority - that it should provide and operate terminals to be used by private-enterprise transportation firms, but not operate any transportation service of its own.

When the Port of New York Authority acquired, renovated and upgraded the badly deteriorated Hudson Tubes, it not only performed a greatly-needed public service, but also established two precedents. First, it became involved in the movement of passengers by railroad. Second, in addition to providing the terminal facilities and right-of-way, it also provided the rolling-stock and operated the trains - thus making it the operator of a rapid-transit railroad. This was a significant reversal of past policy.

In all fairness, the Port of New York Authority should do as much for passengers by railroad as it has done for those by Air, Highway, or Water - but no more. In other words, the Port Authority should also provide and operate appropriate passenger terminals which would be available to the trains of any railroad willing to pay a reasonable rental for the use of them.

We therefore respectfully present for the consideration of the Honorable Members of the Legislature of New York and of New Jersey, as well as others interested, the following recommendations for capital projects which we believe are within the proper scope of the Port of New York Authority. With the availability of State and Federal capital funds, their financing should not prove insurmountable or even burdensome. It will be noted that these recommendations are based on the common-sense, money-saving principle of improving and extending facilities which are now in being.

1. ACQUISITION OF PENN-CENTRAL PASSENGER TRACKS AND ANCILLARY FACILITIES AND STRUCTURES, BETWEEN HUNTER INTERLOCKING, AT SOUTH NEWARK, N.J., AND THE SUNNYSIDE, LONG ISLAND, N.Y. PASSENGER-CAR YARD, INCLUDING PASSENGER STATIONS IN NEWARK AND NEW YORK.

This would permit the long overdue use of Pennsylvania Station in New York as a "Union Station" for certain trains of other New Jersey railroads. This has been proposed in one form or another for over a decade, but the Pennsylvania Railroad was adamant in its refusal to let any other railroad share the station. However, now that the Penn-Central is desperate for money, and has shown a desire to get rid of as much passenger service as possible, this would be the time to acquire these facilities. Since The Congress has indicated a desire to "Help The Poor Penn-Central" in a reasonable and appropriate manner, it is probable that Federal funds would promptly be made available for this project, which certainly is in the public interest.

2. a. REVISE AND ENLARGE THE NEW JOURNAL SQUARE (JERSEY CITY) PATH AND BUS TERMINAL, BY ADDING AT LEAST FOUR RAILROAD PLATFORM TRACKS, FOR RESTORED SUBURBAN RAIL SERVICE.

b. CONSTRUCT A PASSENGER-CAR STORAGE AND SERVICE YARD HAVING A CAPACITY OF AT LEAST 150 CARS AT AN APPROPRIATE LOCATION EAST OF THE JOURNAL SQUARE STATION.

c. UPGRADE AND SIGNAL FOR PASSENGER SERVICE, LESS THAN ONE MILE OF EXISTING PENN-CENTRAL FREIGHT TRACKS, WEST FROM JOURNAL SQUARE TO MARION JUNCTION.

The purpose of these improvements is to make it possible to restore passenger service on the West Shore Railroad; on the Northern Branch of the Erie-Lackawanna; and on the N.Y., S. & W. Railroad, by providing a convenient terminal for transfer to PATH trains for Downtown New York passengers. It would also make it easy for passengers from these trains to use PATH trains to Newark. The tremendous benefits to Northern New Jersey accruing from the restoration of suburban passenger service on these railroads are so obvious as to require no detailing of them.

3. CONSTRUCT NEW TRACKS FROM THE MOST CONVENIENT POINT ON PATH, AT OR NEAR THE GROVE STREET STATION IN JERSEY CITY, TO CONNECT WITH THE C.R.R.N.J. TRACKS NEAR COMMUNIPAW, ELECTRIFY TWO OF THE CRRNJ TRACKS TO BAYONNE. CONSTRUCT (ELECTRIFIED) TRACKS TO AND ACROSS THE BAYONNE BRIDGE (WHICH HAS PROVISION FOR RAILROAD TRACKS) TO STATEN ISLAND, AND THERE CONNECT WITH EXISTING TRACKS ( TO BE ELECTRIFIED) OF THE STATEN ISLAND RAPID TRANSIT COMPANY, TO ST. GEORGE TERMINAL.

This would permit PATH to run trains from New York, through Jersey City and Bayonne to Staten Island. Very little new track construction would be required, if existing rights-of-way and tracks can be used. If there is not enough rush-hour track capacity in the Downtown PATH tunnels between Jersey City and the World Trade Center, to provide for the additional trains to Staten Island, it might be possible to connect the tracks so that the present 33rd Street, New York-Journal Square trains could be routed to Bayonne and Staten Island, with the transfer station at Grove & Henderson Streets. This re-routing of the Journal Square trains might permit a reduction in the size of the car storage yard at Journal Square. The benefits to Bayonne and Staten Island from this new service are obvious.

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Although the projects suggested above are closely related to and would become a part of the operating activities of the Port Authority, and/or PATH, they do not, collectively reach the goal of an adequate, balanced, attractive and convenient system of rail transportation between New Jersey and New York. It would be a waste of public money to construct a brand-new railroad tunnel under the Hudson River, to serve Midtown Manhattan, before everything possible had been done to achieve maximum utilization of facilities in being which might be extended. Because New Jersey rail commuters have destinations in Manhattan spread over a nine mile long area - between the Battery and Central Park - as well as Brooklyn and Queens, no new tunnel or terminal, regardless of its location, could benefit directly more than a fraction of the commuters.

We respectfully ask the indulgence of the Honorable Legislators by permitting us to offer a few additional suggestions for projects which, while they relate to the overall objectives, really have nothing to do with the Port of New York Authority, or with PATH. Since the Port Authority has no statutory monopoly on Hudson River crossings by railroads or ferries, there is no reason why others cannot engage in such interstate transportation.

The New Jersey Department of Transportation might be able to handle some of these projects, but those involving interstate travel could well be taken care of under the provisions of an existing Statute, "The Metropolitan Transit District of New York and New Jersey", enacted in the Laws of 1959. See R.S. 32:22A-1 through 32:22A-27 et seq. The Legislature might well consider reviving and bring<sup>ING</sup> up to date S-119 of January 24, 1966, entitled "An Act To Create a New Jersey Transit Agency", which, unhappily was permitted to die in committee.

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A-1. UPGRADE AND SIGNAL EXISTING CONNECTING TRACK BETWEEN MARION JUNCTION IN JERSEY CITY, AND NEW DURHAM OR LITTLE FERRY, WHERE THE WEST SHORE, NORTHERN BRANCH, AND N.Y. S. & W. RAILROADS DIVERGE.

For many years there has been a connecting track in service for freight transfer between these points, so little is required to put this track back in shape for passenger service, so that trains of these railroads can then operate to and from Journal Square (See Project #2.)

A-2 RESTORE, RENOVATE AND IMPROVE THE ABANDONED STATION AT "SUSQUEHANNA TRANSFER" (WHERE ROUTE #3 CROSSES THE RAILROAD TRACKS) ON THE CONNECTING LINE MENTIONED ABOVE.

This will permit restoration of the abandoned bus service to and from the Port Authority Bus Terminal, for Midtown passengers from these trains.

B. EXTEND THE FLUSHING, LONG ISLAND- 42nd STREET CROSSTOWN-TIMES SQUARE SUBWAY UNDER THE HUDSON RIVER TO WEEHAWKEN, NEW JERSEY.

This would bring Weehawken within a ten-minute subway ride from Times Square, and as this line connects with practically all of the subway lines it crosses, excellent interchange points are provided. Since this line is in being, only a modest amount of new, additional rolling stock would be required. When this line reaches Weehawken, it may be extended by using existing rail lines over a large area of Northern New Jersey. This would be the least expensive way to provide a new Midtown rail service to New Jersey.

C. RESTORE THE HOBOKEN, N.J., TO BARCLAY STREET, NEW YORK, FERRY SERVICE.

One of the worst errors made by the N.J.D.O.T. was the encouraging and approval of the abandonment of this popular and needed ferry service a few years ago.

It caused an immediate overloading of the PATH Downtown rush-hour trains, and eliminated the only alternative means these commuters had for crossing the Hudson River in the event of an accident or strike on PATH. It is estimated that between 65% and 70% of all E-L commuters arriving at Hoboken, travel Downtown, and there is no reason to believe that the percentage will change, in view of the continued new office building construction in the financial district. The ferry slips are still available, but require considerable rebuilding and renovation. Where ferryboats could be obtained today, would require investigation.

D. EXTEND EXISTING CANARSIE-BROOKLYN- 14th STREET MANHATTAN SUBWAY TO NEW JERSEY.

This is not considered as attractive a proposal as that of the 42nd Street subway, but on reaching Hoboken it could, by use of existing railroad rights of way, either extend north to Weehawken to make a loop with the 42nd Street Line, or it could be directed in any other direction - perhaps even to Staten Island, if PATH did not provide that needed service.

Remarks by Alan L. Canter, Director of Planning, the City of Jersey City to the Joint Legislative Autonomous Authorities Study Commission.

Mr. Chairman, Senators, Assemblymen and Commissioners:

My name is Alan L. Canter, and I am the chief planning officer for the City of Jersey City, New Jersey. I will keep my remarks as brief as possible -- although I assure you that I could talk for several hours on the love-hate relationship that we of Jersey City feel towards the Port of New York Authority.

Let me begin by praising Caesar. The Jersey City professional planning and development staff has worked very closely with the Port Authority for the past decade, especially in connection with the \$45 million PATH Transportation Center in Journal Square, which is the geographical, commercial and transportation center of Jersey City and Hudson County. The transportation center presently under construction in Journal Square will be a major impetus to redevelopment of the commercial center of Jersey City and by itself represents a fine architectural achievement, one that the City will be truly proud of.

Although Jersey City has been forced to sacrifice some badly needed ratables as the price for bringing about this extremely important public facility, we have nothing but the highest praise for the quality of planning and the high degree of cooperation which has characterized our relationship with regard to this project. We would certainly be among the first to attest that whatever the Port of New York Authority does, it does with excellence.

Unfortunately, it is our observation and experience that the Port Authority's ability to efficiently carry out its projects

is not matched by a philosophy of operation in keeping with the needs of our times. We would suggest that the Port Authority make three changes in its general operational policies in an effort to help ease the urban crisis which afflicts not only Jersey City but all the communities of the Greater New York Region.

Firstly, we wholeheartedly endorse the proposal that the Port Authority take on as a primary function the improvement of interstate mass transportation. The existing PATH system should be the cornerstone on which an entire complex of well-run rail passenger services should be created. Hopefully, these might include using the existing tracks of the bankrupt Jersey Central Railroad to provide rail service between Journal Square and Bayonne -- and possibly on into Staten Island.

Secondly, we urge that the Port Authority share with the municipalities more of the wealth it has accumulated through its successful automobile bridge and tunnel operations. Even if Port Authority facilities cannot pay direct local taxes, surely the payments made in lieu of taxes could be higher. Jersey City already is bonded to the limit to pay for our large-scale comprehensive renewal effort, and our homeowners are staggering under a tax rate that verges on being confiscatory, due in large part to the erosion of the railroads as the fiscal base of our community.

The renewal and revitalization of our waterfront is vital to the future growth and economic stability of Jersey City -- and we welcome the opportunity to cooperate with the Port of New York Authority to develop a container port at Caven Point, when that land is released by the federal government. Our basis for working

with the Port Authority will be consistent as to our relations with all developers of this land. That is, what remuneration will accrue to the City. How would the taxes <sup>PAID</sup> ~~made~~ by the developer help our City meet the salary demands of our police and firemen and teachers, or the need to build new schools to replace existing hundred-year-old facilities? The Port of New York Authority if it is the Caven Point developer must help to meet these needs.

In the area of mass transportation the Port Authority has been instrumental in providing the framework for a modern subway system linking Jersey City with major job centers in Newark, Manhattan and locations in Jersey City. However, having committed itself to meet the needs of the public, the Port Authority cannot rest on past achievements; it must continually meet the needs of this highly complex urbanized region. It must continually keep in mind the social purposes for which it was established back in the 1920's. This requires the institution of two new elements by the Port Authority:

1. Social Conscience - The Authority must undertake projects which will meet the pressing needs of our urban areas - extending transportation lines to meet mass transit needs.

2. Taxes - The Port must be prepared to return to the Cities where it has proposed development programs a more equitable amount <sup>~</sup> than in lieu of taxes paid in the past.

Finally, we suggest that the Port Authority give greater consideration to embarking upon the type of ventures that would result in the creating of large numbers of new jobs, among other benefits. As industry continues to flee from the New York Metropolitan Area, the Port Authority should make an effort to help meet

employment needs by making available on as large a scale as possible new occupational opportunities for the residents of our region.

In conclusion, I would like to emphasize that our goal should be to reach agreement with the Port Authority on new areas of meaningful involvement, rather than to harass this unique and extremely valuable public agency in an effort to harness it to new pursuits. We should not simply dream up new jobs in an effort to keep the Port Authority busier. There is no need for that, because with cooperation and consideration we can evolve a program that will be in the best interest of the Port Authority, the respective states, the various municipalities and the people of our region. We should aim to make the Port Authority a willing partner in this program, rather than an unwilling hostage.

Thank you very much.

STATEMENT OF  
PROFESSOR ABRAHAM STEIN  
of  
PACE COLLEGE  
Before The  
AUTONOMOUS AUTHORITIES STUDY COMMISSION OF THE NEW JERSEY STATE LEGISLATURE  
and the  
NEW YORK STATE ASSEMBLY COMMITTEE ON CORPORATIONS, AUTHORITIES AND COMMISSIONS

MARCH 12, 1971

Mr. Kenneth T. Wilson, Chairman of the New Jersey Study Commission, Mr. Robert F. Kelly, Chairman of the New York State Assembly Committee, and Honorable members of the New Jersey and New York Legislatures: I am Abraham Stein, a doctoral candidate for the Ph. D. degree in accounting, management, and metropolitan administration at New York University and a teacher of administration and management at the Lubin School of Business Administration at Pace College, New York, New York, 10038. I appear in my personal capacity as a scholar and a consultant, submitting my observations and opinions in the role of an interested, responsible citizen. The results of my research and analysis are submitted for whatever use you care to make of them. Neither Pace College nor New York University nor any school or department of either of them, nor any other member of their faculties or student bodies, is in any way responsible for any representations made in this statement or the related exhibits.

The complex growth and development of the metropolitan region over the past seven decades has seen the concomitant decay of parts of many communities within this area or district. In the last three decades these processes have accelerated. Growth and development have progressed to the point that an entire new "regional plan" is in gestation. This is the 2nd Regional Plan evolving under the aegis of the Regional Plan Association located at 230 West 41st Street, New York, New York, 10036.

For fifty years the States of New Jersey and New York have had a joint subordinate but autonomous instrumentality to guide and foster the technical and economic aspects, some, at any rate, of this metropolitan area, district, or region. It is my considered opinion that this instrument, The Port of New York Authority, a "body corporate and politic," is an excellent instrument to serve the States, a strong, capable instrument, a valuable instrument whose powers and resources must be conserved. It is also my view that it has failed utterly to hew to its responsibilities and that it has added considerably to the economic and social problems of the metropolitan region.

The Board of Commissioners and the Executive Director have taken The Port of New York Authority far afield. Large areas of its responsibilities have been grossly neglected and the vacuums it has left have been filled in part and inadequately by such organizations as the Metropolitan Transportation Authority and its "subsidiaries" and the Tri-State Transportation Commission. The consequent "fragmentation" of responsibility has prevented the development of a coherent land use and transportation policy by the two states in joint collaboration and by a politically-responsive implementation of this policy by a decentralized, but well-integrated corporate instrumentality of the two states.

The time has come for you to lead The Port Authority through a major

transformation, through a self-renewal process, that will enable The Port Authority to fulfill itself in terms of its original charter, its evolving charter, and its contemporary relevance. This is discussed in some detail in Section 5.06 of my study, THE PORT OF NEW YORK AUTHORITY: Financial Accounting and Reporting Processes Examined and Considered -- A Draft Report, of July 20th, 1970 (Copyrighted, 1970) and in other materials which have been submitted from time to time.

In my view it is most important that this joint hearing be continued in a suitable form indefinitely as an independent legislative monitoring group concerned with the continuing development of the entire metropolitan region as a viable, integrated community . . . a system of interrelated counties and local municipalities. Initial funds to develop concrete policy vis a vis transportation and land use based upon a continuing program of interdisciplinary studies of the social and technical needs and resources of the Port of New York District should and can come from The Port of New York Authority. Initially, you should secure a \$15,000,000 funding. The precedent exists . . . in its grant to the Metropolitan Rapid Transit Commission in the late fifties and in its grant to the State of New Jersey in relation to the freeway through Bergen County. One was for \$850,000 and the other was for over \$20,000,000. (See P. 56 of our July, 1970, study mentioned above.)

Studies toward the development of legislative policy should include work of the technical character of the Chicago Area Transportation Study.\* However, the engineering, economic, sociologic, and administrative studies and the monitoring activities must be much broader to be effective. The Port of New York Authority, as it is constituted under the incumbent Commissioners and Executive Director is incapable of executing such studies with the necessary detachment and legislative responsibility and cannot be trusted to do so in the light of its subversion of the Metropolitan Rapid Transit Commission in the late fifties. Since its fiscal resources stem from the transport activity (or metabolism) of the region and derives from the exclusive interstate franchise granted it by the state, these fiscal resources should properly and in adequate measure be devoted to this task under the exclusive direction of this body or its successor.

These studies should yield a concrete action program at the engineering, economic, and social levels and The Port of New York Authority, suitably reconstituted and transformed, will be sincerely responsive to the legislative direction given it under Articles III, VII, and X of the 1921 Compact (McK. Unconsol. Laws of New York, Sections 6404, 6408, 6411 and under L. 1922, c. 43, eff. Feb. 24, 1922 (Comprehensive Plan for the Development of The Port of New York) Section 6459 of McK. Unconsol. Laws of New York.

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\* See Page 34 of our July, 1970, study.

You must not be swayed or bullied into believing that the hands of the Legislatures are tied because of Section 6606 (revised). It is not operative unless "PATH" and the "World Trade Center," which constitute a joint, single, integrated economic (and, consequently, fiscal) entity according to the Port Development Act of 1962 as interpreted by the courts, are losing money. They are not! No amount of obfuscation on the part of The Port Authority, any persons currently affiliated with it, any bondholders or accountants serving them, or any other persons can hide that fact. This is explored in the writer's first study of The Port of New York Authority cited in the text above, and in a more thorough study issued today as THE FICTION THAT P.A.T.H. IS A DEFICIT-RIDDEN OR "LOSS" OPERATION. The latter is a copyrighted version of a memorandum prepared May 1, 1970 and given Mr. Theodore W. Kheel.

As Mr. G. Oliver Koppell, New York Assemblyman, suggested last week while cross-examining Austin J. Tobin, Executive Director of The Port of New York Authority and President of the Port Authority Trans Hudson Corporation (P.A.T.H.), the bondholders can be induced to accede to a change in the indenture if sufficiently motivated. Other constraints on the management of its liquid assets can also be removed quickly by The Port of New York Authority by the redemption of all outstanding long-term bonds of issues prior to the Consolidated Series. This it could do without straining a fiscal muscle. (See P. 117 of the July 20, 1970, study.)

The writer's study, THE FICTION THAT P.A.T.H. IS A DEFICIT-RIDDEN OR "LOSS" OPERATION, is appended to this statement and submitted herewith.

#### THE PORT AUTHORITY'S ROLE IN MASS TRANSPORTATION

The Port Authority played an interesting and healthy role in mass transportation during its first two decades. It evidenced a strong interest and started to move in the direction of supporting the development of a rich web of rapid transit and omnibus routes ... and then, at a crucial moment, went off at right angles to its previous policy and evaded its indicated responsibilities. Not only did it do that, but it also unilaterally misappropriated its profits over and above the amounts needed for its statutory reserves and removed these profits from the disposition of the two states. This is discussed briefly in my July 20th, 1970, study and can very easily be traced through the minutes, bond legalisms, and accounts. (See P. 49ff) My rough estimate is that if the states could recover control over these funds (and thus correct a gross malfeasance on the part of commissioners and officers of a "municipality") they would have at their immediate disposal for mass transportation purposes between \$350,000,000 and \$450,000,000.

The Bayonne Bridge was built to carry railroad tracks from New Jersey to Staten Island and could be the means for connecting the Staten Island Rapid Transit to P.A.T.H. The Goethals Bridge, too, is engineered to carry railroad tracks. The George Washington Bridge was designed with the idea that a lower deck would be added to carry two, four, or six tracks for rapid transit serving

northern New Jersey and connecting with the tracks along the Harlem River. Trains could go down Park, Madison, or Fifth Avenues, eventually hooking into P.A.T.H. tracks and returning through the northerly (Christopher St.) tunnel of the present P.A.T.H. system to New Jersey, These were the ideas of three decades ago that were buried in the confusion of World War 2. Equally imaginative systems can be designed now, in terms of the technology of the late 20th Century.

I submit copies of the following for the consideration of the Chairmen of this hearing and their colleagues. Note, particularly, the maps.

1. SUBURBAN TRANSIT FOR NORTHERN NEW JERSEY, The Port of New York Authority, March 1, 1937. EXHIBIT A.
2. **PLAN** FOR PROMPT ESTABLISHMENT OF AN EFFICIENT METROPOLITAN RAPID TRANSIT LOOP SYSTEM AT MINIMAL COST, Herman T. Stichman, Trustee, Hudson & Manhattan Railroad Company, October 29, 1957. EXHIBIT B.
3. AN EFFICIENT METHOD FOR PROVIDING DIRECT RAPID TRANSIT COMMUTATION . . . ., Herman T. Stichman, undated but probably late 1957 or early 1958. Exhibit C

These materials, as well as those related to the Metropolitan Rapid Transit Commission studies, are suggestive of a welath of technical studies that undoubtedly rest in the files of many public agencies and transportation utilities -- studies that should provide the relevant legislative committees or commissions with a springboard for launching its own studies to guide the formation of a regional transportation policy.

Northern New Jersey and Westchester and Nassau need a much richer public mass transportation network. This can be shaped and implemented first by technically and politically sound and acceptable land use and satellite city planning, second by the launching of more express and local bus routes, third by the design and implementation of rail rapid transit that is established as economically sound. But, the criteria by which feasibility is established cannot be anything less than the criterial of modern, sophisticated administration and management founded on general system theory, cybernetics (the science of the transactional forms of systems control), and neo-humanism\*Traditional accounting, modern socio-economic accounting, and much more in the way of contemporary urban analysis must all contribute to the design of a policy of integrated, multi-stage, development of transportation networks.

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\* Stein, Abraham, The Scope, Focus, and Method of Administration and Management in a Cybernetic and Humanistic Milieu NYU Thesis for the MBA Degree 1967-Chapter 5, the passages on the criterial of administration and management.

The Port of New York Authority started this process of the development of a public mass transportation network by launching a regular streetbus service over the Bayonne Bridge during the middle thirties, but abandoned it in the 1938 recession shortly after it became profitable. It had operated this service for the benefit of the passengers who went to and from work as a result of the inability of private franchise operators to see it through the startup phase until the route became profitable. The Port Authority ran this bus service during the same period that it proposed a mass transportation network for northern New Jersey pursuant to the June 22, 1936. Joint resolution of the New Jersey Legislature (Chap. J.R. 6, LNJ 1936). See Exhibit A and The Port Authority annual reports for those years.

But this work was apparently swallowed up in the turmoil of World War II. The Port Authority, whose general attitude toward itself, toward the region, and toward its mass transportation responsibilities had been changing, apparently decided to let "sleeping dogs lie." Austin Tobin became the responsible operating executive ... and the change in attitude, as reflected in the annual reports, proceeded apace.

But the transportation problems engendered by the region's dynamics continued to mount despite the post-war surge in highway building and automobile usage. Large segments of the region's population, not owning or driving cars, found their mobility shrinking. Professor Jameson W. Doig produced a very important book based on his doctoral researches: Metropolitan Transportation Politics, published in 1966 by the Columbia University Press. He traces the story of the Metropolitan Rapid Transit Commission carefully and shows how the region's problems mounted and how narrow interests (the "highway coalition") prevented the development of an adequate, modern mass transportation network and how the railroads (around which the "rail coalition") failed to do its part in the politics of transportation. Doig traces the story of the Metropolitan Rapid Transit Commission carefully and reveals how The Port Authority, while funding it to the tune of \$850,000., sabotaged its work through the imposition of an infamous "Memorandum of Understanding." The strong language is ours, not Professor Doig's. The Port Authority, together with Moses' Triborough Bridge and Tunnel Authority, were "anchormen" of the highway coalition. Robert Moses' work which the region has inherited includes the Long Island Expressway, a colossal blunder in our view when the larger multimodal transportation picture is seen, and the present authority resting in William Ronan's Metropolitan Transportation Authority to build two highway bridges across Long Island Sound.

In 1962 the New Jersey and New York legislatures solved the problem of financing a rail transit facility by exploiting a formula by which the fare revenues, augmented by incidental revenues generated by its properties would more than meet the labor-intensive operating expenses of commuter operations with its high peak period capacity requirements.

This formula, tested in the courts and validated by them, was the foundation of our national railroad network. It was first used by The Port Authority in launching Union Freight Terminal # 1, today known as The Port Authority Building at 111 8th Avenue in Manhattan. This is discussed on Pages 47 and 48 and elsewhere in our July, 1970, study.

This formula is also used to support the revenues from the transportation services of The Port Authority Bus Terminal at 8th Avenue and West 41st Street in Manhattan.

The concept is that improvements of its real properties such as buildings generate revenues that enable a transportation facility that is labor intensive to remain economically viable.\* This concept attained its fullest expression in the original thought and design behind the 1962 Port Development Project Act. This law fused the Hudson&Manhattan Railroad and its real estate holdings at Hudson Terminal in Manhattan (what is now termed PATH) with the WORLD TRADE CENTER into one integral and viable economic entity. This is discussed in our July, 1970, study (Page 23 and elsewhere) and in:

- Exhibit D, herewith The Hudson and Manhattan World Trade Center Project, issued January 29, 1962, by ThePort of New York Authority
- Exhibit E, herewith The New York State's Court of Appeals ...
- Exhibit F, herewith The Fiction That P.A.T.H. Is A Deficit-Ridden or "Loss" Operation ... a detailed study of the PATH-WORLD TRADE CENTER financial accounting and reporting to the two States and to the Public.

The private real estate interests, a coalition of land speculators, developers, builders, and rentiers, concerned primarily and necessarily with their own immediate interests and not with the long-run interests of the whole population of the region, have again and again fought large scale development that appeared to interfere with their own particular operations.

Locally, the Bush Terminal interests of Brooklyn brought adversary proceedings to court to stop The Port Authority's development of Inland Terminal #1, but the court decided that making this freight terminal economically viable was a legal procedure in the light of the legislation which authorized it. Courtesy Sandwich Shop, Inc. challenged the Port of New York Authority and its wholly-owned subsidiary, which owned the land and had the right to condemn land by eminent domain for the purposes given in The 1962 Port Development Project Act, but, again, the courts ruled that the legislation was constitutional. More recently private builders and managers of office buildings in Manhattan also fought the PATH-WORLD TRADE CENTER JOINT PROJECT, always, ostensibly, in the "public interest." The owners of the Empire State Building were greatly concerned, it was stated, that the public would suffer impaired reception of television signals.

We can only hope that the lawsuits recently instituted to declare "section 6606" null and void do not inadvertently play into the hands of the real estate interests and wreck or seriously damage the legislative acceptance and the operation of a proven formula for financing viable, self-sustaining mass transportation networks, facilities, and services. These adversary proceedings are not "kids stuff," for they might elicit obiter dicta or other judicial interpretations that may monkey-wrench a major hope for regional

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\* There is a variant of this concept pregnant with alternative financing policies that might confuse the issue at this point.

development of a viable system of mass transit by bus and rail. A careful, sympathetic reading of the original charter of the Port of New York Authority and the 1922 law instituting an evolving Comprehensive Plan for the Port of New York District will reveal ample scope for the coordinated and cooperative activities of private capital and private firms.

People who recommend or press for the sale of the WORLD TRADE CENTER by The Port Authority to private interests or who suggest that The Port Authority shouldn't be in the business of operating office buildings or other real estate properties or who litigate such activity on the part of The Port Authority are, to say the least, not cognizant of its legislated responsibilities and powers. In my opinion they fail to see the larger regional dynamics and do not appreciate the realism and responsiveness of the Legislators who forged the overall policy. Nor do they appreciate that The Port Authority has a broad spectrum of devices whereby it sluices private capital (the bondholders') creatively into the process of coordinating and developing the District's terminal, transportation and other facilities of commerce. Note how private developers have arranged to build an 80-story building on 8th Avenue and 42nd St. above the planned extension of The Port Authority Bus Terminal.

An intransigent and inflexible stand predicated on the incorrect current policies and practices of the incumbent commissioners and officers of the Port of New York Authority must not be converted into an attack on the institution itself. The Port Authority must not be castrated under the guise of an artificial or arbitrary separation of activities into public sector and private sector areas. Anyone who visits the Tennessee Valley Authority should be cognizant of the economic and social benefits of coordinated, region-wide planning and development. TVA is not all good, but the principle obtains.

I suggest that the New Jersey and New York Legislators not permit themselves to be swayed or carried away by such arguments lest their concern for the development of mass transportation networks in our region be transformed into futile attempts to pipe legislated subsidies into this process. (This is Austin Tobin's and William Ronan's approach, one with little prospect of results in the near future ... and this nothing more than a diversion in the light of the viability of the formula developed in the 1962 Port Development Project Act.)

What is done is done. It is granted that doubling the volume of the World Trade Center was a greedy over-reaching by The Port Authority.

What is necessary must be done...and done quickly. The more effective the overall metropolitan mass transportation policy, the more will everyone and every prosper -- including the real estate interest -- but not at the expense of the interests of all in the region.

The incumbent commissioners and executives of The Port Authority think that they have a skeleton in the closet. That is that mass transportation and its incidental traffic generating processes are viable. So it hides it behind unacceptable financial reports and statements to the public.

It is no skeleton; it is the financial framework of a potentially large, dense, modern, effective, comfortable, and convenient modern

mass transportation system. If a bold, broad policy is formulated, implemented, and monitored by the respective Legislatures of New Jersey and New York, it can rival the German (Hamburg, Munich), Japanese (Tokyo), and Swedish (Stockholm) urban-area-centered transport systems that give due weight to the needs and interests of the surrounding communities and that integrate the best features of rapid transit, bus, and vehicular modes of transport.

I hope I have made my point -- we must keep all options open. We must launch broad, integrated, continuing studies under the immediate direction and control of a joint legislative commission. We must consider the re-integration (restructuring, federation, combination, or merging) of the policy formation processes and operations of such disparate, autonomous, unresponsive authorities and commissions as The Port Authority, the Metropolitan Transportation Authority, the Tri-State Transportation Commission (which largely filled a vacuum left by the Port of New York Authority), and others. They have, through their very specialization or localization, succeeded in fragmenting the planning and operations that so pervasively affect and limit the economic and social development of all the region's communities.

Much must be done to develop policy for processes that involve hundreds of millions of dollars annually. An initial grant of \$15,000,000. by The Port Authority to such a continuing legislative commission is a necessary and justifiable step and must be ordered by the two States; it should not be at The Port Authority's option and they should be required to be continuously and totally cooperative. This is the "cost of information (and a cost is an asset, not an expense!) that reflects true wisdom. It need not be a patronage pot if all budgets, transactions, proceedings, findings, etc. are always accessible to the public and the press. Speculation based on such information can be inhibited by suitable pre-emptive law. What we must do is pre-empt the present and the future.

More specific recommendations vis a vis The Port Authority are given in pages 133 to 137 of our July, 1970, study which is in your hands, which I submitted last week with the cooperation of Chairman (New York) Robert J. Kelly. Additional recommendations are implicit in my discussions of the failures and successes of The Port Authority in the July, 1970, study (Sections 5.3 and 5.4) and in my discussion of its needs (Section 5.2) and its significance and promise (Sect. 5.9)

End

# Inter-Municipal Group for Better Rail Service

JOHN F. KRAUS  
CHAIRMAN  
4 EDGEWOOD COURT  
NORTH PLAINFIELD, N. J. 07060

AUGUSTUS S. DREIER  
COUNSEL  
427 WEST SEVENTH ST.  
PLAINFIELD, N. J. 07060

March 15, 1971

Miss Barbara Smith  
Legislative Services  
State House, Room 212B  
Trenton, N. J.

Dear Miss Smith:

The enclosed information has been sent to you for use by the Autonomous Authorities Study Commission at the request of Assemblyman Kenneth T. Wilson.

If additional information is required, please advise.

Sincerely,  
  
John F. Kraus

JFK:vs

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METROPOLITAN RAPID TRANSIT COMMISSION

REPORT

RAPID TRANSIT FOR THE  
NEW YORK—NEW JERSEY METROPOLITAN AREA

JANUARY 1958

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fect their abilities to discharge the responsibilities for which they were established and to carry out the plans or commitments already undertaken. If any attempt were made to confer taxing powers upon them, this would require complete change in their organization and concept. Dr. Miller further found: "In essence, there is room in the North Jersey-New York metropolitan region for the public authority which is confined to self-supporting revenue-producing projects and for another form of metropolitan organization which is concerned with tax-supported projects and governmental services."

The Project Director concurred and therefore recommended the creation of a metropolitan transit district with broad powers since the deficit nature of transit, its regional benefits and the requirements of new powers, not possessed by existing agencies, demonstrated the need for a new administrative agency responsible wholly for the development of bi-state transit. The Project Director concluded that it would not be feasible to rely on the pledging of the credit of the States or of any existing agency to provide the heavy capital investment involved or to meet the probable transit deficits. He proposed that the investment and deficit be supported to the extent necessary by the benefited areas, and that these areas should be represented in the determination of how their funds will be spent. To afford this representation the new metropolitan district would be created.

In the Commission's public hearings held in New York and New Jersey in June and September 1957, a great majority of the views presented by leading citizens and organizations in both States, approved and supported the recommendation that as the first order of business in achieving a solution of the problem, a new permanent bi-state Metropolitan Rapid Transit District should be established which would have all the necessary powers including the availability of public support to undertake a program of maintaining and improving commuter rail transit in this area.

On the basis of these careful and expert studies as well as the Commission's own examination of the transit problem in metropolitan areas throughout the United States, all of which confirm the deficit nature of commuter service,

the Metropolitan Rapid Transit Commission is entirely convinced and so recommends that a new bi-state Transit District be created to cope with this problem.

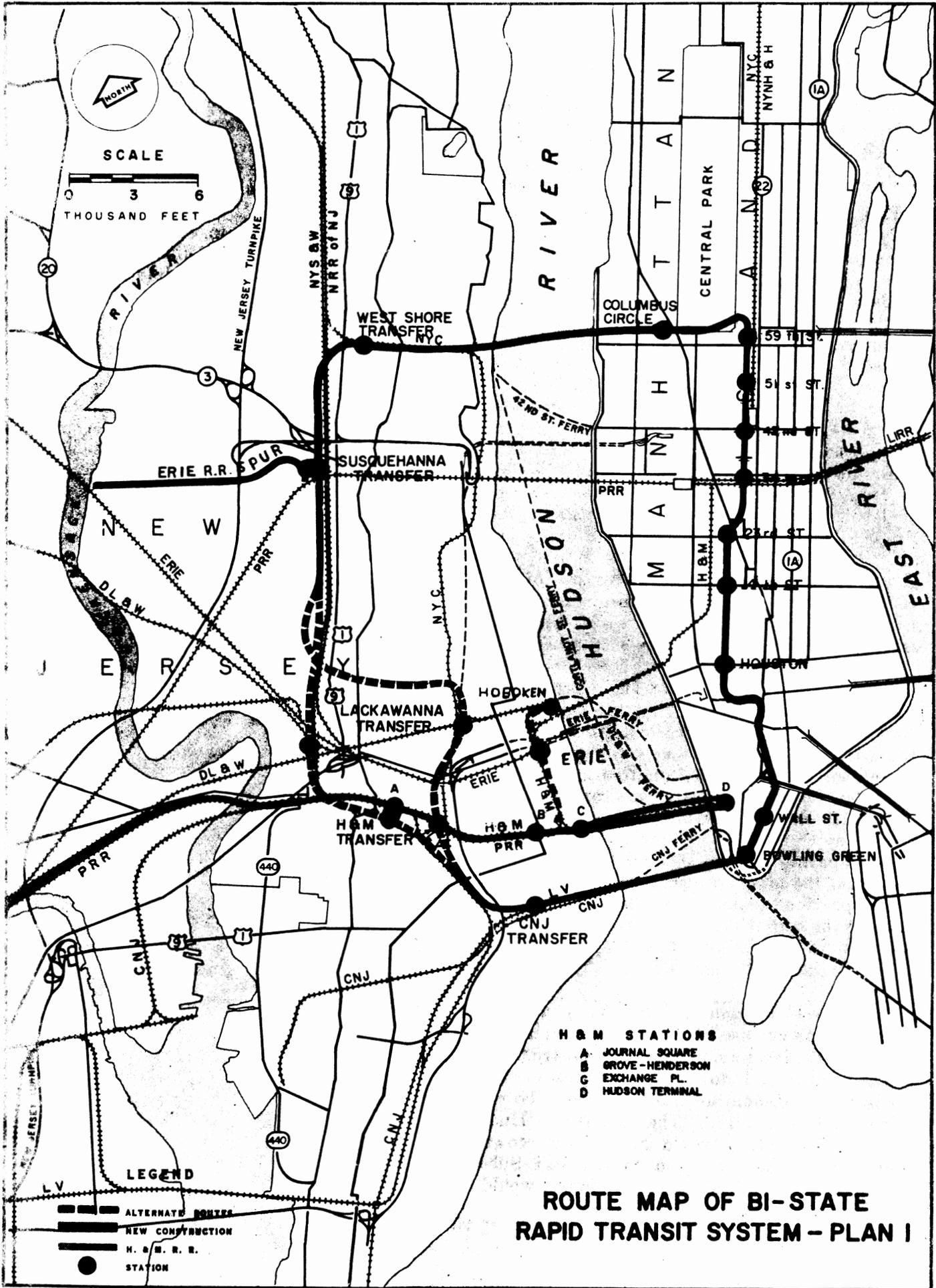
### Proposals Studied by Consultants

Physical plans presented in the report by Charles E. DeLeuw and summarized in the Project Director's report include a detailed analysis of four basic transit schemes based on Manhattan subway distribution with the New Jersey railroads as feeders.

In addition, the consultants reviewed the feasibility of various transit schemes that had previously been advanced, such as extension of the New Jersey railroads to terminals in Manhattan or extensions of portions of the New York City subway to New Jersey. Consideration was given to proposals for radically new transit systems, such as monorail and aerial transit. These proposals have their merits and demerits. The Commission describes them in this report (Appendix B, pp. 57 *et seq.*) so that they will be available for understanding to whatever extent may at any time be found desirable.

A brief description of the detailed physical layouts for the four basic transit plans analyzed by the consultants is as follows:

**Plan 1**—This plan, favored by the consultant, would include the construction of an independent bi-state loop, as shown in Plate I. It would provide transfer connections with all suburban railroads in New Jersey, a new subway line in Manhattan under Madison Avenue and two new trans-Hudson subway tunnels, one in downtown Manhattan at the Battery and another at 59th Street in midtown. A spur of the Erie Railroad would be constructed from the point where its main line crosses the Hackensack River to the Susquehanna Transfer Station. The Hudson Terminal line of the H&M would be maintained and modernized, while service on the 33rd Street branch of the H&M would be discontinued. This plan would allow the use of all of the latest technology to provide comfort, speed, safety and efficiency such as rubber-tired cars and desirable systems of automation. The Commission favors this plan as offering the



**ROUTE MAP OF BI-STATE  
RAPID TRANSIT SYSTEM - PLAN I**

most advantages and because the New York City Transit Authority has asserted that there would not be capacity in the existing BMT subway. (See Section V of this report.) The capital cost of this plan as estimated by our consultant is \$498.5 million.

**Plan 2**—This plan (Plate II) consists basically of a bi-state subway loop formed by the use of the New York City BMT-Broadway Subway and the construction of two new trans-Hudson subway tunnels. Transfer stations to all the suburban New Jersey railroads are provided similar to Plan 1. A spur of the Erie Railroad would be constructed from the point where its main line crosses the Hackensack River to the Susquehanna Transfer Station. The plan also includes the discontinuance of the present uptown Hudson and Manhattan Railroad service, while the downtown service to Hudson Terminal would be retained and modernized. This plan was endorsed by the Project Director. It is a useful alternate but only if a smaller capital cost is required and if the necessary arrangements for use of the BMT subway could be made with the New York City Transit Authority. The capital cost as estimated by our consultant is \$345 million.

**Plan 3**—This plan (Plate III, page 22) is similar to Plan 2, except that the segment of New Jersey rail trackage connecting the new trans-Hudson subway tunnels to uptown and downtown Manhattan is omitted. In effect, this plan resembles a horseshoe rather than a loop, with subway operations over the BMT-Broadway Subway as in Plan 2, but terminating at separate transfer stations in New Jersey, instead of the complete circuit or loop operation of the previous plans. This plan was rejected both by the consultants and the Commission as uneconomic. The capital cost as estimated by our consultant is \$348 million.

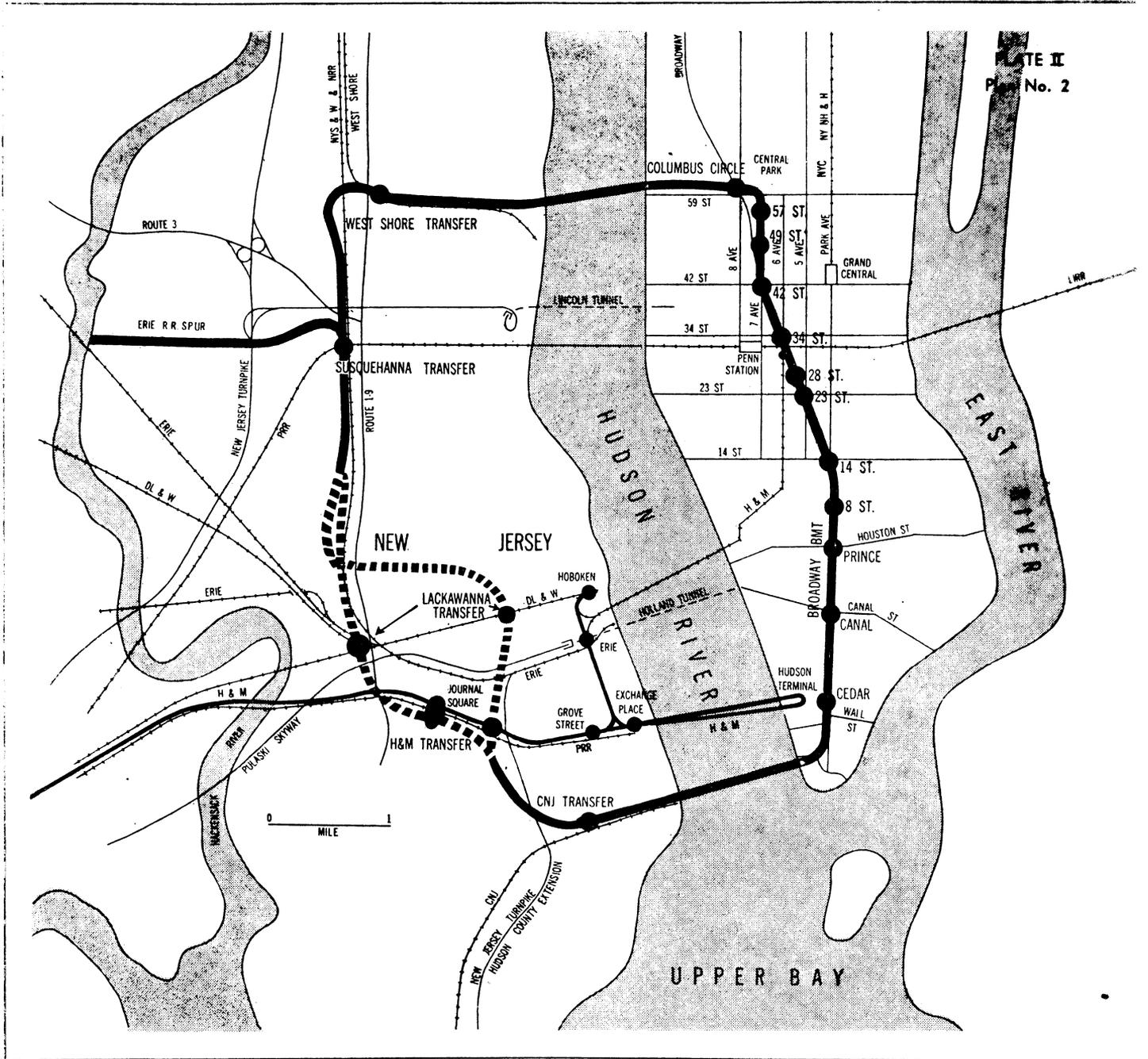
**Plan 4**—This plan (Plate IV, page 22) makes maximum use of existing transit facilities, with the least amount of new construction. Both uptown and downtown services of the Hudson and Manhattan Railroad would be retained and modernized. The modernized Hudson and Manhattan would have a downtown connection to the Lexington Avenue IRT Subway. A new trans-Hudson transit tunnel would

be provided uptown with a connection to the BMT-Broadway Subway for an operation similar to Plan 3. Transfer stations would be provided for all the suburban New Jersey railroads, as in the other plans. This plan was rejected by both the consultants and the Commission. In spite of a minimum capital outlay, its annual deficit would be close to Plan 2, but without the great advantages of flexibility and future growth that Plan 2 offers. The capital cost as estimated by our consultant is \$265 million.

### **Other Proposals Considered**

In addition, four separate studies were carried out by Coverdale & Colpitts of possible immediate solutions to specific existing problems. The Commission has also studied in detail the various physical plan proposals which were offered by individuals during the course of the survey and since the release of the Project Director's Report. The Commission has considered each of these carefully. They are discussed in some detail in Appendix B.

PLATE II



PLAN No. 2

A Bi-State Loop using the BMT subway in Manhattan

PLATE III  
Plan No. 3

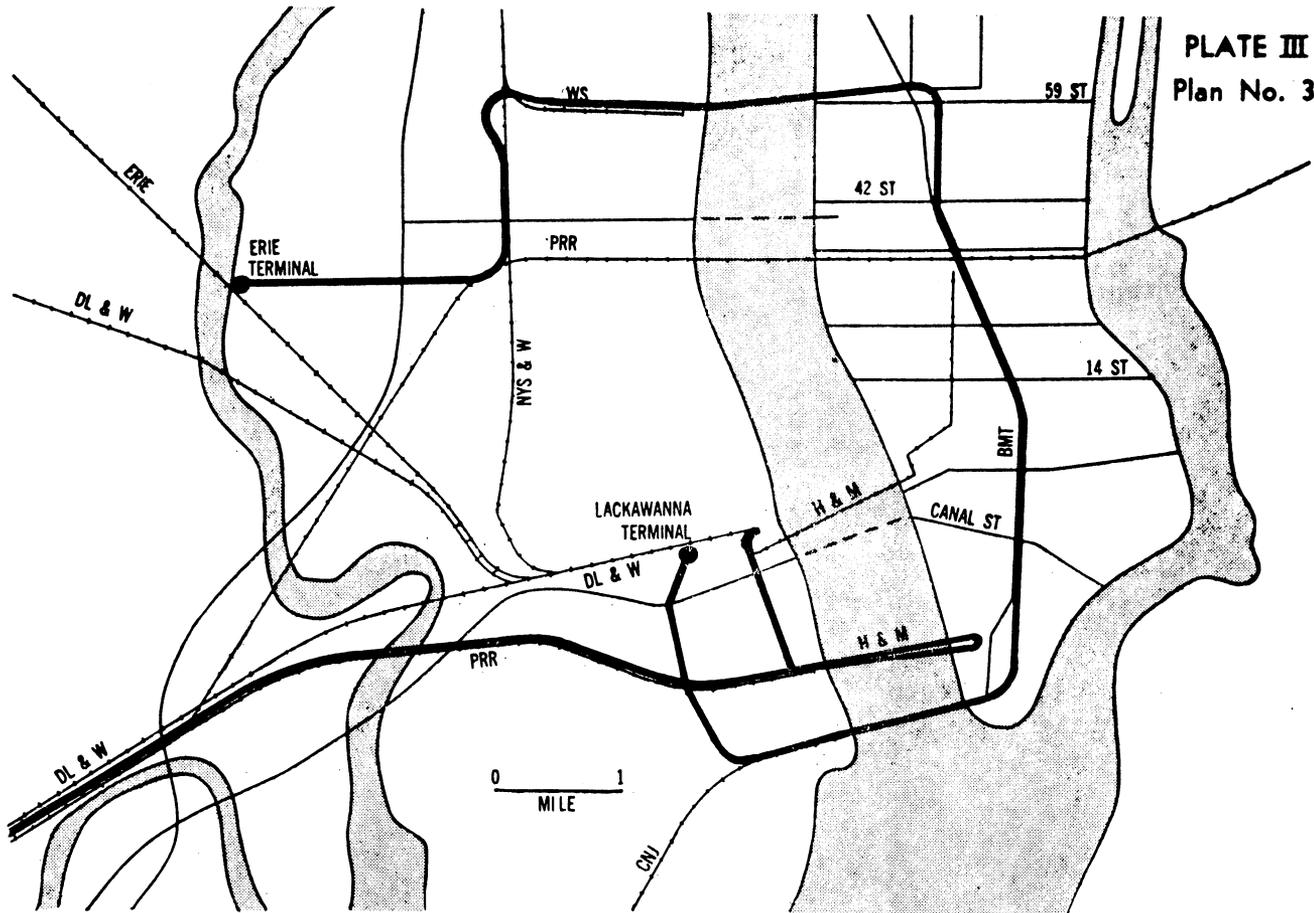
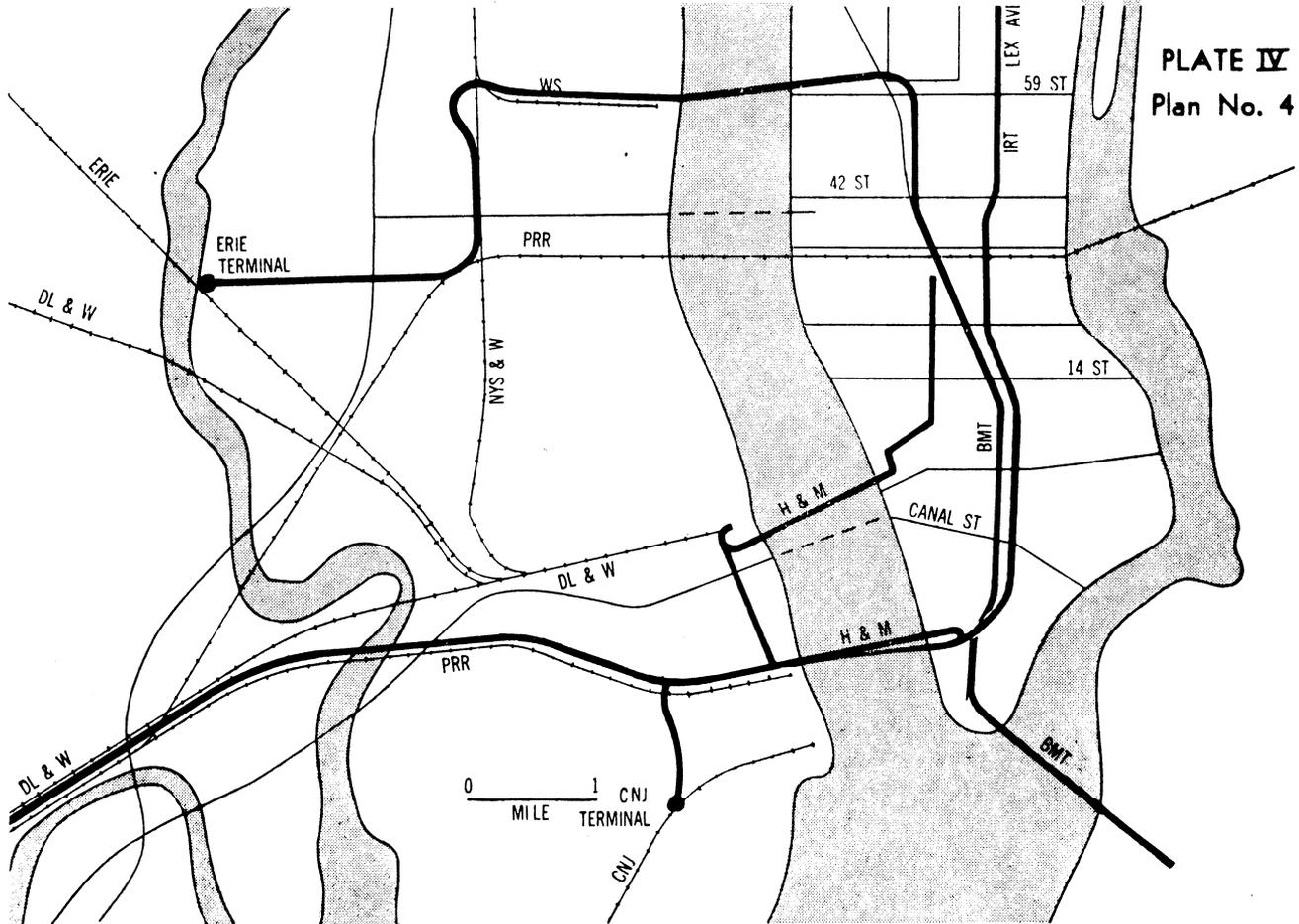


PLATE IV  
Plan No. 4



S E C O N D   P U B L I C   H E A R I N G

BEFORE

SENATE COMMISSION CREATED UNDER SENATE RESOLUTION  
NO. 7 (1960) AND RECONSTITUTED UNDER SENATE RESOLUTION  
NO. 7 (1961) TO STUDY THE FINANCIAL STRUCTURE AND  
OPERATIONS OF THE PORT OF NEW YORK AUTHORITY.

Held:  
1100 Raymond Boulevard  
Newark, New Jersey  
January 27, 1961

MEMBERS OF COMMISSION PRESENT:

Senator Frank S. Farley (Chairman)

Senator Wayne Dumont, Jr.

Senator Joseph Wm. Cowgill

Senator Richard R. Stout

Senator William F. Kelly

Senator William E. Ozzard

\* \* \* \*

into all this, will the legislature set up some sort of -- like I pointed out with regard banking, you have examiners --

SENATOR FARLEY: Well, the Legislative Committee will ferret out the facts, resolve them, and make recommendations to the Legislature and no doubt in that recommendation some reference will be made relative to their annual audit. But you are asking us to pre-determine that before we have all the facts. Thank you very much. Give us your name and your address, please.

MR. FISHBEIN: Arthur Fishbein, 951 Bergen Street, Newark.

SENATOR FARLEY: Mr. Tobin, on behalf of the Committee, we would appreciate it if you would prepare a complete breakdown of the income and the expenditures for each particular project rather than a combined statement of your income and your outgo - a complete analysis of all of your projects, income and expenses, to show the net result of each particular project. It is necessary we have that for the purpose of coming to some conclusion involving our recommendations. I do know that this is not the general method of your arriving at a figure of profit or loss. However, I do think it is of sufficient importance, particularly in view of what has happened involving the commuter problem and in view of the fact that few of your projects are profit-bearing and conscious of the fact, as you are, that the good must go with the

bad. I think we would be very grateful if you would give us that breakdown.

MR. TOBIN: We shall do so.

SENATOR FARLEY: Thank you very much.

Is there anyone else who desires to be heard on the commuter problem? (No response.) If not, we will adjourn this hearing for the time being and we will notify the people who are to appear through their groups and the Port officials as to the time and place of the next hearing, which will not be in the too distant future. Thank you very much, gentlemen.

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PORT OF NEW YORK AUTHORITY INVESTMENTS & REVENUES

As Submitted to Senator Frank S. Farley, Chairman, New Jersey Senate Committee  
Created to Investigate the Port of New York Authority  
(000 Omitted)

| Facility  | Total Investment |  | Net Revenues           |                   |              | Years            |
|---|------------------|--|------------------------|-------------------|--------------|------------------|
|   | As of 12/31/60   | After Completion of Constrn. Program Under Way | Year 1960              | Cumulative Amount | Yrs. in Svc. | in Deficit Oper. |
| N.Y. Intl. Airport                                    | \$ 288,500       | \$ 425,000                                     | \$ 7,177               | \$ 16,966         | 14           | 7                |
| LaGuardia Airport                                     | 27,205           | 90,000   | (65)                   | 1,123             | 14           | 7                |
| Newark Airport  | 39,383           | 50,000   | (527)                  | (9,296)           | 13           | 13               |
| Teterboro Airport                                     | 10,540           |  | (439)                  | (4,162)           | 12           | 12               |
| Heliports   | 706              |  | (103)                  | (288)             | 7            | 7                |
| Grain Terminals, Grain Elevators, & Columbia St. Pier | 3,734            |  | (99)                   | 1,040             | 15           | 3                |
| Port Newark   | 62,249           | 125,000  | 498                    | 4,908             | 13           | 3                |
| Erie Basin Piers                                      | 8,930            |  | 266                    | 405               | 3            | -                |
| Hoboken Piers   | 17,807           |  | 352                    | 1,442             | 9            | 4                |
| Brooklyn Piers  | 60,971           | 90,000   | (197)                  | (431)             | 5            | 4                |
| Elizabeth   | 9,452            | 150,000  | (Not yet in operation) |                   |              |                  |
| PA Building   | 22,457           |  | 636                    | (3,040)           | 28           | 21               |
| N.Y. Truck Terminal                                   | 9,923            |  | (284)                  | (5,459)           | 11           | 11               |
| Newark " "  | 8,120            |  | (391)                  | (2,065)           | 11           | 10               |
| N.Y. Bus Terminal                                     | 26,272           | 45,000   | (4)                    | (5,476)           | 11           | 11               |
| Holland Tunnel  | 57,950           |  | 3,049                  | 82,871            | 30           | -                |
| Lincoln Tunnel  | 184,062          |  | (83)                   | 16,357            | 24           | 10               |
| Geo. Washington Bridge                                | 143,680          | 260,000  | 9,207                  | 99,424            | 30           | 8                |
| Staten Island Bridges                                 | <u>30,590</u>    | 45,000   | <u>209</u>             | <u>(14,724)</u>   | 33           | 22               |
| Total   | \$1,012,500      |  | \$19,202               | \$179,592         |              |                  |

Note: Parentheses denote deficits.

January 30, 1959

INTER-MUNICIPAL GROUP FOR BETTER RAIL SERVICE

Status of Proposed Meeting of the Inter-Municipal Group with the Port Authority Pursuant to Group Action at its Meeting of December 12, 1958.

Donald V. Lowe, Chairman of the Port Authority, stated in his letter of December 30, 1958, in answer to the invitation of December 15, 1958 by the Chairman of the Inter-Municipal Group to attend a meeting of the Group for the purpose of discussing the solution to the rail problem in the northern New Jersey-New York area:

"In view of our official and clearly expressed position on the destructive consequences of Port Authority involvement in rapid transit, I can see no useful purpose in a meeting between us such as you suggested."

Donald V. Lowe's answer of January 14, 1959 to the invitation of January 8, 1959 by Mayor Edward H. Tiller, Chairman of the Group's Executive Committee, to attend a meeting of the Group for the purpose of discussing the solution to the rail problem:

"I expressed my belief that the type of meeting which Mr. Kraus had suggested would not be particularly helpful in discussing the rail transit problem. I would, however, be very pleased to meet with you as Chairman of the Executive Committee of your Group."

No reply to date from Donald V. Lowe to Mayor Tiller's letter of January 20, 1959 asking for reconsideration of meeting with the Group - that such a meeting would be constructive, whereas a meeting as suggested by Mr. Lowe would serve no particular advantage.

The lack of cooperation by the Port Authority is not limited to municipalities as evidenced by the statement of William A. Caldwell, Chairman of the New Jersey Press Association Seminar Committee, made during the Press Seminar on "New Jersey's Railroad Program" on December 5, 1958 at Rutgers University:

"The one hand that was not raised in this room today was that of the Port of New York Authority. If anybody noticed, there is nobody from the Port Authority here and it is a rather interesting absence. We of the committee thought at the outset that the port was going to be mentioned a couple of times during the day and that the Port Authority should be here to discuss the subject with us. I called one of my friends over in the Port Authority office. He said it sounded like a constructive program and the Authority would be very much interested; that he would call me right back. After a deathly silence of about ten minutes he called me back and said - No. I said - No what; No thanks; No, you're sorry or what? He said - I'm sorry I have not expressed myself very well but the answer is - No. So I got in touch with Donald Lowe who happens to be chairman of the Port of New York Authority. He, too, thought it was a good idea, but the deathly silence lasted about 48 hours this time and then we wrote - No. I don't know who runs the Port Authority but whoever it is they apparently are not interested in discussing their position."

INTER-MUNICIPAL GROUP FOR BETTER RAIL SERVICE

June 19, 1958

To: The Members of the New Jersey Legislature.

I have reviewed the letter of the Port of New York Authority Commissioner dated May 29, 1958 which was addressed to Assemblyman Kesselhaut. I have been advised that this letter has been released by the Port Authority to members of the Legislature, municipal officials and newspapers. While the letter supposedly is written for the purpose of commenting on the memorandum of May 19, 1958 by Dr. S. J. Flink, it goes very far afield in order to reiterate the stand taken by the Port Authority for many years, that is, that they want nothing to do with the matter of railroad transit improvement as a means to alleviating the mass transportation problem of Greater New York Area.

In this review of that letter I shall answer that which I feel requires comment. There is much in the letter which forms paragraphs of words but says nothing and in other places statements are made which are merely in support of the Port Authority's position but add nothing to the subject under discussion and requires no answer.

The first paragraph on the second page states that the proposal (\*\*\*of developing an integrated rapid transit system) is legally impossible. No support for that statement is given. The facts are that the proposal is legal. The Compact of April 30, 1921 sets forth:

1. The reasons for the creation of the Port Authority were to coordinate and develop terminal and transportation facilities. (R.S.32:1-1)
2. Powers and jurisdiction of the P. A. as enumerated and such other additional powers as shall be conferred upon it by the Legislatures of the two States. (R.S. 32:1-4 and 32:1-8)
3. Under definitions "Transportation facility" shall include railroads \*\*\*ferries\*\*\* for the transportation of persons or property. (R.S.32:1-23)

The Comprehensive Plan

1. Principles to Govern Development include unification of terminal facilities and provisions for prompt relief of existing facilities while larger and more comprehensive plans for future development are being carried out. (R.S.32:1-26)
2. Any surplus revenues not required for the establishment and maintenance of the aforesaid general reserve fund (1/10th of the par value of all bonds issued by the P. A. and currently outstanding) shall be used for such purposes as may be hereafter directed by the two states. (R.S.32:1-142)

The argument contained in paragraph three on page 2 is not sound. There is nothing in the statutes to prohibit an increase in tolls for the use of existing facilities. Any such increase would not be an intolerable burden upon the owners of automobiles, trucks and busses but merely in step with the present economy caused by the inflationary forces in effect since the tolls were first established. The price index for services and commodities has more than doubled since the establishment of the present tolls.

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The next paragraph refers to present and contemplated New Jersey commuter railroad deficits. Mr. E. T. Moore, President of the Central Railroad of New Jersey stated on June 11, 1958 before the New Jersey State Chamber of Commerce in commenting on the Port Authority letter "\*\*\*estimates of alleged operating deficits, which would have to be assumed by any public authority, are without any realistic foundation."

The P. A. letter then states that an increase in tolls would be contrary to the policies which they have followed for the past twenty-five years. Progress sometimes requires deviation from a fixed procedure. If the overall good is to be accomplished then deviation from fixed policy may be necessary particularly when the fixed policy was to shy away from anything to do with railroad transportation facilities.

Paragraph two on the third page infers that the bus rider and others would have to contribute to the railroad deficit. Taxpayers money is freely used to pay everyones' transportation expenses whether he uses the highways, airlines or the waterways, with the exception of the railroad commuter. It may be about time to equalize the help being given to other transportation facilities.

The absorption of railroad passenger traffic deficits by other transportation services would not meet with strong and justifiable objection as stated in the next paragraph inasmuch as an integrated transportation system would provide a more efficient service at a lesser cost in each category.

Increase in tolls would not be restricted by the Federal Bridge Act of 1906 because increases can be justified by the present economy and need as hereinbefore set forth.

On page 4 reference is made to contracts with bond holders. I agree that Dr. Flink's recommendations must be analyzed in terms of the Port Authority's legal and constitutional duties. Contracts with the bond holders, however, will not be jeopardized if the reserves in excess of that required for the currently issued and outstanding bonds are used in providing facilities for railroad passenger service as a part of an integrated transportation system.

The improvement and development of railroad passenger service as part of an integrated transportation system will make unnecessary some projects on the Port Authority's agenda such as double decking the George Washington Bridge and possibly the construction of the Narrows Bridge. Other projects should be delayed until the most critical and essential railroad passenger problem is solved.

On page 6 the letter states that the Compact does not assign to the Port Authority responsibility for all of the transportation facilities in the Port district. No projects were specifically assigned to the Port Authority. Nevertheless, each of its undertakings has required the legislative direction of both states. This proves and by the statement the Port Authority admits that it the creature of the two states, should and must take its direction as provided in the legislation by which it was established. All that is now required to have the Port Authority undertake this project is the passage of A-16.

The third paragraph on page 6 is a subterfuge. No one has requested the Port Authority to take over the operation of the railroads any more than the operation of bus lines or air lines. All that is asked is to provide and operate

terminal facilities similar to that which it operates for the users of the highways, skyways and waterways.

As to the content of the next paragraph, no proof has been presented that the Port Authority would require the power to levy taxes or assessments or to pledge the credit of either State. But if such powers are required they may be conferred in accordance with R.S.32:1-8. Incidentally, the Port Authority urges the passage of the bill recommended by the Metropolitan Rapid Transit Commission which provides for taxation by a new authority to be created.

The credit of the Port Authority will be unimpaired inasmuch as only the excess reserves will be utilized in the operation of the joint facilities which would include railroad transportation facilities.

At the bottom of page 11 the Port Authority refers to the report of the Metropolitan Rapid Transit Commission and the studies which it conducted. I quote the remarks of Goodhue Livingston of the New York City Planning Commission on this subject as follows:

"The final report of the Metropolitan Rapid Transit Commission for\* improving transportation in the port area is a dud.\*\*\*not surprised after reading the Page report last May and knowing under whose financial auspices the Commission was working."

"The Port of New York Authority has all along, as you know, been stating that they do not want to be connected even remotely with the operation of rail transit and so probably, using the funds they advanced for this study as a lever, influenced the Commission to adopt a very limited but expensive project which dumps the whole cost on the taxpayer's back and thereby keeps their motor toll income inviolate."

One can only assume that the Port Authority's participation in the Metropolitan Rapid Transit Commission study was intended to scuttle the purpose of such a study. If the Authority had acted in compliance with the Compact under which it was created, it would not have been necessary to establish a separate rapid transit commission. The Port Authority should have come up with a satisfactory solution many years ago, especially when it was willing to spend \$800,000 for a study which it apparently controlled.

The Inter-Municipal Group for Better Rail Service recommends the passage of Assembly Bill 16 inasmuch as only by directing the Port Authority to do the work for which it was created can we secure the solution to the pressing rail problem without additional taxation.

The municipalities are of the opinion that the establishment of a new authority, as recommended by the Metropolitan Rapid Transit Commission in the currently pending bill A115 and S50, to do this job because the Port Authority has failed to do so is unsound for the following reasons:

1. Deficit financing by local taxation which has not been successful in the Boston Metropolitan Area
2. Additional cost of a second authority and loss of time in the solution of a problem which requires immediate attention
3. Competition between authorities

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4. Question whether an inexperienced authority can do the work which ostensibly cannot be accomplished by an existing, experienced authority.

The Port Authority, in this letter, only proves that its misguided planning under a veil of infallibility has reached such serious proportions that only guidance, direction and control by Legislative action can make it act in compliance with the Compact under which it was created. Lack of such Legislative action can only lead to the Authority becoming an East India Company or super-government.

Respectfully submitted,  
Inter-Municipal Group for Better  
Rail Service

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JAMES C. KELLOGG, III  
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CHARLES S. HAMILTON, JR.  
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## THE PORT OF NEW YORK AUTHORITY

*111 Eighth Avenue—at 15th Street New York 11 NY*

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### EXECUTIVE OFFICES

*Austin J. Tobin*  
EXECUTIVE DIRECTOR

May 29, 1958

Hon. Martin Kesselhaut, Chairman  
Committee on Federal and Interstate Relations  
Assembly of the State of New Jersey  
Trenton, New Jersey

My dear Mr. Chairman:

We appreciate your courtesy in requesting our comments on the memorandum submitted to your Committee on May 19, 1958 by Dr. S. J. Flink, following his visit to the Port Authority on May 1. Dr. Flink's memorandum presents arguments in support of Assembly Bill A-16. This bill would direct The Port of New York Authority to take over and operate and to develop and improve the facilities for interstate rapid rail transport of passenger traffic.

Dr. Flink's memorandum includes observations on certain phases of the problem of rail rapid transit. In the course of this memorandum we will submit to your Committee our comments on these observations. We believe, however, that we should state our position as Commissioners of the Port Authority on the two principal arguments placed before your Committee by Dr. Flink in support of Assembly Bill A-16, since these unsound proposals would involve the most grievous consequences to all of the people of the two States.

#### First Argument

Dr. Flink suggests first that the increasingly heavy deficits of the New Jersey railroads in their commuter operations, and the costs of developing an integrated rapid transit system, should be assumed by the Port Authority, and that the Authority could absorb these deficits by use of revenues from its present operations.

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This first proposal is legally impossible. Furthermore the assumption of such deficits by the Port Authority, the self-supporting agency of the two States, would destroy the Port Authority's credit and bring to a halt the program of the two States for the continued development of their port facilities, their airports and their interstate arterial system.

### Second Argument

Dr. Flink then suggests that if the deficits could not be wiped out by an "integrated (Port Authority) transit system," then they could be "made up" by increasing the existing Hudson River tolls and by discontinuing the present commutation rates across the George Washington Bridge and through the Holland and Lincoln Tunnels, and by increasing the charges at other Port Authority facilities.

This suggestion, that tolls be increased to make up rail deficits, would place an additional and intolerable burden upon the owners of automobiles, trucks and buses. A toll increase to 75¢ for all automobiles, and a corresponding increase for other users of the Hudson River crossings, would be required just to carry the 1957 deficit of the New Jersey commuter railroads. This would represent a toll three times as great as the reduced rate paid today by the frequent automobile users of our tunnels and bridges. The people who use the Hudson River crossings 80 million times a year would certainly be unwilling to permit this extremely large increase in their bridge and tunnel tolls.

In 1955 the estimated New Jersey rail rapid transit deficit was almost \$13 million; based on the public statements of the New Jersey railroad officials this deficit had increased to almost \$20 million in 1957. All experience throughout the United States with rail deficits demonstrates that these deficits will continue to increase in the years to come; and, of course, if any attempt is made to develop and improve the transit system, as A-16 would direct the Port Authority to do, the annual deficit would mount still higher. The Hudson River tolls, therefore, under Dr. Flink's suggestion, would have to be increased from time to time if the motorist was compelled to pay for these increasing rail deficits.

Any increase in tolls at our tunnels and bridges would be contrary to the policies which we have been able to follow over the past twenty-five years. Such a proposal in support of Assemblyman Musto's Bill A-16 would contradict his previous position

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with respect to tolls at our crossings. Every year from 1953 to 1957 Assemblyman Musto has introduced bills or resolutions, such as Assembly Concurrent Resolution No. 13 in 1957 session, which have advocated the reduction of the existing Port Authority toll schedules.

As Dr. Flink states it, the toll increases which he proposes would "add significantly to net revenues which may \*\*\* become a source of making up the deficit from transit operations." This means that all classes of tolls would have to be increased and would require that the bus rider and those businesses which ship by truck would have to contribute to the railroad deficit. Dr. Flink suggests also that, to establish what he calls "an integrated transportation system", the airlines are also to be called upon to pick up some of the deficits of those who commute by railroad. Dr. Flink states that this is possible since, "it may be relatively easy to maintain or increase the price for transportation services, or facilities, substantially above the cost level without affecting significantly \*\*\* the users' cost of operation (trucks, airlines)."

The transfer of deficits suffered by the railroads in the handling of passenger traffic to other essential transportation services would, of course, meet with strong and justifiable objection. This objection incidentally would come with most force and feeling from practically the same people who protest current increases in commuter rates and reductions in rail services - they are also, for all practical purposes, the users of the Hudson River facilities.

Moreover, the Federal Bridge Act of 1906 provides that tolls shall be reasonable and just and that the Secretary of the Army may prescribe the reasonable rates of tolls. Therefore, any increase in bridge tolls, such as suggested by Dr. Flink, would be subject to review at the petition of any tollpayer by the Secretary of the Army. In reviewing such increased tolls, the Secretary would have to determine that such increases were just and reasonable even though their purpose was to finance mounting and continuing railroad deficits.

With respect to Dr. Flink's suggestion that the Port Authority increase charges at other Port Authority facilities it should be noted that the users of the Port Authority's airports, truck terminals, bus terminals and marine terminals all pay under existing leases and agreements; these charges may not be increased by the Port Authority unilaterally.

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Returning to Dr. Flink's first argument in support of Assembly Bill A-16, that the railroad's commuter deficits and the cost of developing an integrated rail rapid transit system should be assumed by the Port Authority, we must again state emphatically that this is legally impossible.

Questions of law and constitutionality are dismissed by Dr. Flink as being beyond the province of his memorandum. Actually, however, contracts with our bondholders and others have transformed what would ordinarily be merely a matter of maintaining the Port Authority's existence and credit standing into a contract which the bondholders and others have with the Port Authority and the two States. Dr. Flink's recommendations therefore must be analyzed in terms of the Port Authority's legal and constitutional duties as well as those of the two States.

The Port Authority has contract commitments requiring the borrowing of approximately \$700 million of capital funds over the next five years. The assumption of the New Jersey railroad commuter deficits at the 1957 figure of \$20 million a year would depress the Port Authority's net revenues to a point where it would be unable to borrow the funds necessary to keep these contractual commitments. We are not talking only of a hypothetical inability based upon a weakened credit. We mean that we could not borrow the money because we could not meet the contractual requirement in our bond indentures under which, as a condition to borrowing additional funds, we must show that our net revenues equal at least 1.3 times the prospective future maximum debt service. As indicated, this is a matter of contract between the Port Authority and the holders of some \$350 million of the \$500 million bonds which are outstanding.

The net revenues which the Port Authority can rely on if they are not diluted by transit deficits, have been the foundation upon which the Port Authority has undertaken \$700 million of contractual commitments to carry forward a program of providing adequate vehicular facilities, arterial connections, waterfront improvements and airports to assure the continuing welfare and prosperity of the people of the two States. This development program was not arbitrarily adopted by the Port Authority. It was, as you know, authorized and directed by the Legislatures of the two States, based upon the critical needs of the people of the two States. The projects involved in these contractual commitments include the second deck of the George Washington Bridge, the Narrows Bridge, the marine terminals at Port Newark and Port Elizabeth, new piers in Brooklyn and hangar, runway, terminal and other construction at Newark, New York International and La Guardia Airports.

Since the Port Authority must carry out its contractual commitments as authorized by the two States, it would be forced if it took over the New Jersey rail transit deficits, even at their present level of \$20 million, to default to the extent of hundreds of millions of dollars on its commitments to advance these projects. The actual consequences would be even more destructive since any opportunity for a constructive solution of the critical metropolitan rail transit problem, would be aborted by delegation to an agency of responsibilities which it cannot legally or financially carry forward.

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We would like to note that these disastrous consequences of Assembly Bill A-16 and of Dr. Flink's arguments in support of it, are not "intangible and non-measurable". They are the consequence of mathematical calculations which directly involve the legal limitations on the Port Authority's ability to borrow money at all.

In this memorandum there is no need to belabor the destructive consequences of the abandonment of the Port Authority's present capital programs of vehicular facilities, marine terminals and airport development. The legal, social and political consequences of an abandonment of all areas of the Port Authority's public work are so apparent that they need no extensive development.

The New Jersey State Highway Department is acquiring property for the Bergen County Expressway; the existing single deck of the George Washington Bridge could not possibly accommodate the Expressway traffic. The property for the Second Deck plazas and approaches in New York has already been acquired, the real estate required in New Jersey is under acquisition. This \$183 million project is therefore well under way. At the airports we have outstanding contracts in excess of \$140 million, as yet unfulfilled, with the airlines and other airport tenants.

The contract has already been made for the dredging of the new Elizabeth Channel. The cessation of all other work and marine terminal improvements at Port Newark and Port Elizabeth would be nothing less than an economic catastrophe to the entire Port of New York-New Jersey. It is a fact of life that one out of every four of the persons living in the Port District are dependent for their livelihood upon the Port of New York and the flow of its commerce. The abandonment of the Port Authority's \$275 million program of building thirty-five new ship berths to handle 11 million tons of cargo annually and to provide 18,000 jobs at Port Elizabeth and Port Newark, as well as the abandonment of the new piers still to be completed as part of the Port Authority's \$85 million program to rebuild the Brooklyn waterfront, and the curtailment of the Port Authority's trade promotion and protection work on behalf of the Port, can only mean that our competitor ports along the Eastern seaboard, Gulf and Great Lakes will be more successful in taking away more and more commerce, more and more jobs and payrolls from the Port of New York-New Jersey.

We should also recall that our agreements with the City of New York and the City of Newark have about forty years to run. Under these agreements the Port Authority has an obligation to carry forward the continued rehabilitation and development of Newark, La Guardia and New York International Airports.

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Throughout his memorandum Dr. Flink places major emphasis on his apparent belief that the 1921 Port Compact made the Port Authority responsible for a coordinated or, as he puts it, "totally integrated program of air, rail, water and vehicular facilities" without regard to the economic practicability of the component parts of such a program or, indeed, without regard to the economic practicability of the overall program itself.

While the Compact calls for "a better coordination of the terminal, transportation and other facilities of commerce" in the New Jersey-New York area, it does not assign to the Port Authority the responsibility for all of the transportation facilities of the Port District.

Thus, the Port Compact does not state that the Port Authority should take over the operations of the railroads any more than it charges the agency with the responsibility of developing the highways of New Jersey, or assuming the responsibility for operating the bus lines or trucking lines utilizing those highways. Furthermore, in arguing for an alleged Port Authority responsibility with respect to the operations of railroads, neither Dr. Flink nor Assemblyman Musto nor the railroads are suggesting that the Port Authority should take over the profitable freight operations of the railroads in the Port District. In other words, the Compact in establishing the Port Authority did not create a super-transportation agency which has the responsibility of a "totally integrated program" operating and directing all modes of transport.

Dr. Flink's memorandum ignores the fundamental provisions of the Port Compact which deny the Port Authority any power to levy taxes or assessments or the power to pledge the credit of either State. In other words, the Authority's operations must be self-supporting. Only through a self-supporting agency could the two States achieve their purpose of the development, construction and operation of an essential program of terminal and transportation facilities with no financial responsibility on the part of the States themselves. As the States expressed it in the Port Compact, the future development of the Port's facilities would "require the expenditure of large sums of money and the cordial cooperation of the (two) states \*\*\* in the encouragement of the investment of capital."

Thus, to finance any project, the Port Authority must borrow its capital funds by selling its own bonds to the public. The security of Port Authority bonds is expressly limited to the revenues which the Port Authority receives and develops from its public projects and the reserves it establishes, under the statutes, from those revenues. People buy Port Authority bonds, and will continue to buy them, only so long as they believe the revenues from the undertakings of the Port Authority will be sufficiently in excess of operating expenses to pay the interest and principal on such bonds, and to create sufficient reserves to protect their investment from the effects of lean years, depressions, catastrophe, technological changes in methods of transportation, or such other developments as might impair the security of the outstanding debt.

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In the market Port Authority bonds compete with other "municipal bonds" such as the general obligation bonds of the states and cities. These general obligation bonds are secured by tax levies and the marketability of such bonds has little to do with the specific purpose of the particular issue but rests upon the tax record and future prospects of the entire community within the taxing jurisdiction. In contrast, the marketability of a Port Authority bond is determined by the projects themselves. This includes the net revenue prospects, the over-all earnings record of the Port Authority, the financial strength of the Port Authority as indicated by its record of debt retirement and reserves, and the Port Authority's record of financial management and businesslike administration.

As has already been indicated, the Port Authority will be required to borrow some \$700 million through the next five years. The Authority works within a carefully constructed financial framework. It must maintain that framework and live within it if it is to continue to be able to borrow this kind of money. Some of those who are supporting A-16 apparently believe that this credit could be diverted to the development of a rail transit system and to the support of the ever-increasing New Jersey commuter rail deficits. The horrible fallacy in this kind of thinking is that the Port Authority's current \$700 million program of new terminal and transportation facilities is being financed on a completely self-supporting basis. We could not sell a single bond to support such a program if it were a deficit operation.

Dr. Flink has the misconception that the Port Authority has at its command unlimited discretion in the application of the revenues that come into its hands from the operation of bridges, tunnels, airports, piers and other facilities. The fact is that all of these revenues are subject to rigid statutory and contractual controls.

All Port Authority revenues are pledged in support of the \$500 million of its bonds that are now in the hands of the public. The contracts with these bondholders, which may not be breached either by the Authority or by the legislatures, specify exactly what may be done and what may not be done with those revenues.

They must be used first to meet the operating and maintenance costs of the facilities which produce them; the net operating revenues must then be applied to the principal and interest payments on specific bonds for which they have been pledged; and then the remaining balance must be paid into specific reserve funds in accordance with our contract with those bondholders. These reserve funds, in turn, must be maintained in accordance with the statutory authorizations of the two States.

One of these is the General Reserve Fund which the statutes of the two States direct that the Port Authority must apply revenues to maintain in an amount equal to 10% of the principal amount of its outstanding bonds. The

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other Reserve Funds, which are earmarked for the Authority's four issues of bonds, must, in accordance with our contracts with bondholders, receive all Port Authority revenues which are not required for the General Reserve Fund. As a matter of contract, within constitutional protections, none of these existing revenues are available or can be diverted to meet the transit deficits of the railroads - whether the railroads remain in private hands or are transferred to another public agency.

The only source of revenues which could be applied to transit deficits would be the revenues of new facilities acquired or created by the sale of new issues of Port Authority bonds. Certainly the Commissioners of the Port Authority could not, consistent with obligations to its bondholders, pledge the General Reserve Fund as security for any such bonds if they believed, as they must, that the prospective deficits of any such new transit facility would materially impair the sound credit standing of the Authority or the investment status of the bonds which it had already sold to the public. The size and upward trend of annual deficits of the commuter railroads, the studies that have been made of the rail commuter problem in Northern New Jersey, and the deficit operations of every rail rapid transit system in the United States all demonstrate that no Commissioner of the Port Authority could help but conclude that the Port Authority's credit standing would be impaired by any responsibility for transit deficits.

In a report on Port Authority credit issued by Dun & Bradstreet they state that the important consideration in appraising the Authority's credit has been the "avoidance (by the Commissioners) of major projects that would freeze resources in the support of long term deficits." The Port Authority's continuing responsibility for a deficit operation of unknown future magnitude and its departure from fiscal policies that over the years have won for it the confidence of prudent investors throughout the country would mark the end of the Authority's standing in the field of finance and the end of its great usefulness in advancing the interests of the Port District. Its outstanding bonds would meet a depressed market as investors hastened to unload their holdings and credit agencies lowered their ratings to a speculative classification. New issues, if they could be sold at all, would be accepted only at very high interest rates that would be a deterrent to any further port programs or usefulness.

To the financial analyst who must recommend for or against the purchase of Port Authority bonds, the assumption by the Authority of financial responsibility for a deficit transit operation would mark the beginning of the end. The only open question for him would be "How soon?"

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Dr. Flink is quite complimentary to the Port Authority's record of administrative efficiency. He says that the Port Authority has "a well-established and unquestionably well-merited reputation for efficient service," that it has "acquired a vast body of operational experience, managerial know-how, and an invaluable perspective \*\*\*". Dr. Flink then argues that "an important expense item in the operation of any agency is made up of administrative costs" and that "substantial savings can be effected by utilizing the organizational structure and experience of \*\*\* the Port Authority."

No matter how flattering these statements may be to the Commissioners, they have no significance in relation to the overall operating costs of a New Jersey suburban railroad system. Administrative costs are but a very small fraction of overall railroad operating costs. The administrative and managerial talent for each segment of any existing railroad system that would be merged into an integrated suburban transit complex would have to be retained and compensated. All we would be talking about is what we might call the "headquarters staff" having responsibility for the coordination of the consolidated operation. Cost-wise this becomes a miniscule part of the overall operation of a railroad system.

The overwhelming amount of railroad costs are represented by labor, maintenance, supplies, equipment and capital charges. We cannot imagine that the Railroad Brotherhoods would be disposed to grant any more considerable wage concessions to the Port Authority than they would to the railroads. Furthermore, the New Jersey suburban railroads today are being operated with old and dilapidated equipment. Maintenance charges have been cut to the bone, terminals are dilapidated, and the ferry equipment alone is more than fifty years old. Obviously, the Port Authority would be faced with immediate demands for the replacement of this equipment, the reconstruction of terminals and new standards of maintenance. As previously pointed out, Assembly Bill A-16 itself directs the Port Authority to "develop and improve", as well as to maintain and operate rail transit.

Dr. Flink suggests consideration of a "third alternative; separation of the financial and operating aspects of the project." And he suggests that "with the bulk of the cost resting on the users of these facilities, any excess of cost over revenues could be made up by contributions from the two states involved and/or the federal government."

With respect to this suggestion that the federal government could assume a portion of the deficits, we know of no existing or contemplated federal legislation under which the federal government would propose to pick up the rapid transit deficits of the metropolitan communities throughout the United States. Any such proposal would undoubtedly be the subject of rather serious opposition, which would take, to look at it optimistically, many years to resolve. The New Jersey rail commuter issue can hardly wait for such a solution of its problems.

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Although the commuter problem was thoroughly studied in the recent hearings in the Senate before the Smathers Committee, there was not the slightest suggestion by the members of that Committee that the federal government should assume responsibility for rail commuter deficits. The Smathers Committee had this to say:

"The subcommittee heard much testimony with respect to the problem of continuing commuter service by railroads. It was clear from the testimony that the railroads were operating these services at enormous losses. This is the result of many factors which we will not go into here. It may be said that basically the commuter service problem is a local one having both social and economic implications. However, it is also a matter of deep concern to the Federal Government because of the impact that losing commuter service can have on the ability of an interstate rail carrier to render its interstate service. That this is so, is clearly evident from the fact that there are several large carriers in the East which are faced with the imminent threat of bankruptcy primarily because of the heavy losses from rendering commuter and other local passenger service. Because of the burden that these losing intrastate services are imposing on interstate commerce, the subcommittee feels that the Federal Government can no longer stand aside to the extent it has in the past. The Interstate Commerce Commission already has authority to require increases in intrastate rates where there is an unjust discrimination or burden on interstate commerce, but in many cases the answer to the losses from commuter services does not lie in merely increasing fares. It is evident that fares which would theoretically return a profit to the railroads would generally result in charges substantially greater than commuters are accustomed to paying and, in some instances, prohibitive charges. Accordingly, the solution is not readily apparent. Because the solutions which may be found for this problem are essentially local, the subcommittee deems it desirable to leave the local government agencies involved the job of seeking specifically tailored solutions to their particular problem."

With respect to Dr. Flink's suggestion that the two States contribute to such deficits, we might observe that this would presumably involve the underwriting of the New York-New Jersey metropolitan rapid transit deficits (including New York City's one hundred million dollar

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transit deficit) by the taxpayers of upstate New York and southern New Jersey. Any such legislation naturally would also have to recognize the rapid transit deficits of other metropolitan communities within the two States.

Since it is not practicable to look to the federal government or the states to pick up deficits in the operation of New Jersey's suburban rail system, the only thing that would be accomplished by involving the Port Authority "in the operating aspects of the project" would be to poison the credit with which the Authority has been able to go forward constructively with a wide program of terminal and transportation facilities in northern New Jersey and New York.

Exactly the same separation of the financial from the operating aspects could be achieved with far better results if the skills and experience of the railroads themselves could be used in operating rapid transit facilities. While Dr. Flink's preliminary examination of this subject may not yet have disclosed this, such methods have already been utilized in New York, where financial relief has been provided so that the railroad companies have been able to continue operating the Long Island Railroad and the Staten Island Rapid Transit.

The Commissioners of The Port of New York Authority are strongly convinced that the only sound proposal for solving the metropolitan rail transit problem is now before the Assembly in Assembly Bill A-115 which would create a Metropolitan Transit District.

The Transit District bill provides for a council of 32 representatives apportioned on the basis of population among the counties affected by the rail commuter problem. Thus, the citizens of the benefited areas, through their elected representatives, in local county government and in the Legislature, would be able to determine the transit improvement program to be undertaken and the method of financing such a program.

The Metropolitan Rapid Transit Commission retained a group of leading consultants to study all phases of the transit problem. The Commission's final report urged the creation of a Transit District. Such a District, unlike the purely advisory study Commission, would have power to negotiate directly with railroads, municipalities and others affected, toward the development of a generally acceptable transit plan. The Transit District would have authority to submit an agreed-upon, complete and detailed plan to the Legislatures for approval and implementation.

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It should be remembered that a bill, identical to A-115 which would create a Transit District, has already been passed by both Houses of the New York State Legislature and has been approved by Governor Harriman. The creation of a Transit District is therefore the only action which could be taken by the New Jersey Legislature to assure action on the transit problem this year. We believe that A-115 should be given serious consideration by your Committee in order to expedite action on what Dr. Flink correctly describes as "the urgency of the rapid transit problem."

Respectfully submitted,

*[Handwritten signatures]*

*Horace K. ...*  
*James H. Davis*  
*James C. Kellogg*  
*Sheldon D.*  
*Charles S. Hamilton, Jr.*  
*Walter ...*  
*Engel ...*  
*John ...*  
*Charles H. ...*  
*Walter ...*

## METROPOLITAN TRANSPORTATION POLITICS AND THE NEW YORK REGION

Exerpts from Study by Dr. Jameson W. Doig,  
Assistant Professor of Politics and Public  
Affairs at Princeton University, published  
by Columbia University Press.

"Suburban interests during these first postwar years were most actively represented by municipal-commuter groups. --The most active of these groups in the region, and the organization with the longest history, was the Inter-Municipal Group for Better Rail Service. --Similar organizations sprang up in various parts of the region during the late 1940s and early 1950s -- and each fought a rearguard battle against unrelenting railroad pressure. --What the coalition (railroads, municipal-commuter groups and central-city interests) needed most, perhaps, was the threat of an immediate and major loss of rail service. --Ironically, the commuter organizations, in their stopgap efforts before the regulatory commissions, helped to avert such a dramatic crisis. The wearing away of rail service proceeded slowly during this first postwar decade, and most of the region's populace were unaware of any major transport crisis, present or potential."

"In contrast to the rail group, the alliance marshalled behind postwar highway policy was highly effective politically. In the New York region, it was organized primarily around two regional agencies, the Port Authority and the Triborough Bridge and Tunnel Authority. Closely linked with them, especially as highway construction and the need for coordination increased, was a network of county and state highway agencies and the federal Bureau of Public Roads. --Although the Port Authority was willing to study the problem, it showed no interest in expanding its responsibilities to include rail passenger service. The position taken by the Port Authority was in part unassailable. It could not expand and perhaps not even survive if required to assume a continuing rail deficit so large that other income could not offset it. But some of its arguments were open to debate. Might it not be able to assume limited responsibilities in the rail field, either directly or via allocation of some of its surplus bridge and tunnel revenues to a separate organization? Also, was it in fact preferable as a matter of regional policy to create a separate and perhaps competing agency for rail, rather than integrating both rail and road under one authority, supported by its own revenues and taxes? In maintaining its position, the Port Authority was not limited, however, to the logic of its arguments -- well-developed skills -- strategies to neutralize potential opposition from these sources (governors or state legislatures), and it has executed these strategies with great political skill during the postwar period."

In 1952, the New Jersey and New York Metropolitan Rapid Transit Commissions, rather than one bi-state commission, due to problems of interstate cooperation, were established. The draft of their joint report in 1954 resulted in the formation of the bi-state Metropolitan Rapid Transit Commission. "The Commission members turned to the states in the hope that the governors and other officials would show an increased willingness to support a major regional study. Again they were disappointed. Finally, the Commission found the Port Authority ready to extend financial aid, but for a price: restrictions upon the scope of the study and upon the selection of the staff which would undertake the surveys. Eight more months of negotiations then followed, as the MRTC tried to reassert its independence of the Port Authority and as it negotiated for additional state funds. In September, 1955, the two states agreed to supplement the Authority's grant but not until New Jersey's Governor Meyner and the Port Authority

had wrung additional concessions from the study group. The five New Jersey members were replaced, and the study plans of the Commission suffered further restrictions. Thus, the 'comprehensive' study which the MRTC once envisioned had been reduced to dimensions acceptable to the states and the road coalition."

"The Commission, which had been prepared to carry out a broad study of the region's transportation problems, now found itself constrained by an agreement that would narrow its aims to those acceptable to a major antagonist of the rail interests, the Port Authority. --The Commissioners had accepted the Memorandum under duress; they now wished to limit its impact on the Commission's independence of action as much as possible. --Governor Meyner was not particularly interested in the rail transport problem, as he devoted his main energies to education and other areas of traditional state concern."

"The adroitness with which the Port Authority steered its way around and through the various obstacles in its path, and thus achieved its major goals, was especially marked. The financial resources and capable staff of the Authority, its high level of prestige with state legislators and the press, its access to the governors and its well-developed tactical skill - all these were effectively employed to gain the MRTC's consent to the Memorandum of Understanding and later to insure that the Commission would concur with the Authority's philosophy. --The minimal level of gubernatorial and legislative interest in the regional transit problem facilitated the Port Authority's success in dealing with the MRTC. --Governor Meyner viewed the transit problem primarily from the vantage point of his state constituency and political strength. --They (two governors) acquiesced in Port Authority control over the MRTC's goals and failed to appreciate the limitations that this shackle might place on policy development generally and their own freedom of action as the transit crisis worsened."

"In the New Jersey legislature the Port Authority confronted a small but vocal group of critics - the only important source of criticism of the Authority other than the MRTC members during this period. Yet the Port Authority never found the legislators a significant threat. The Authority could often act with such speed that legislative interest was barely aroused by the time the matter was decided. --The interest of the press in the overt events relating to the transit problem was not matched by any strong or well-organized concern in the region at large."

"While the consultants labored on the interstate studies, the MRTC and the Port Authority pressed for public acceptance of the conclusions they believed would emerge from the surveys. --DeLeuw concluded that the most efficient solution involved the construction of one or two rail tunnels under the Hudson, --DeLeuw then turned to the financial results which could be expected on the four systems. Here he and his staff were confronted with significant constraints, implicit and overt. They were familiar with the position agreed to by the study's sponsors - that all previous Port Authority studies had shown that rapid transit projects in the New York area 'could not be economically self-supporting'. In fact, it was more than a general familiarity that confronted DeLeuw; the contract to which he and the other consultants had agreed in undertaking the study required that his survey be made 'in accordance with the Memorandum of Understanding'."

"--a fare structure of 30 to 40 cents might well have produced a self-supporting trans-Hudson system. While this conclusion was implicit in his data, DeLeuw did not include this more optimistic result among the alternatives listed in his report. Based on the constraints which guided him, he limited his discussion to deficit operation and briefly defended his choice of the fare structure that yielded these deficits. Even without a 'substantial' increase in fares, a self-supporting system might have been held out as a possibility, for, as he acknowledged in his report, DeLeuw had excluded several important revenue sources in estimating the financial results of the system. --These estimates referred only to the early years of loop operation, however, and DeLeuw was willing to paint a brighter long-term future for the new system. --DeLeuw estimated that passenger traffic on the loop would increase continuously, reaching in 1975 a point 20% higher than initial traffic. --DeLeuw's comments on future traffic were not entirely pleasing to the Port Authority. If the Authority's plans to avoid involvement in rail transit were to be successful, any references to a potentially self-supporting system would have to be eliminated. The Authority thereupon brought its considerable resources, especially its staff expertise and its general prestige, to bear upon the problem."

"The Port Authority's views confirmed, DeLeuw's findings now went to William Miller, who was charged with studying financial and administrative devices which could be used in connection with any recommended transit system. DeLeuw's conclusions met the standards of the two sponsors, and Miller was therefore asked to base his analysis on these recommendations. For the Port Authority, this was the crucial study. Fortunately for the Port Authority, Miller was not an antagonist. --the limited vision which affected DeLeuw was found in Miller's analysis as well. Miller's estimated deficit was based on a number of assumptions which could have been altered, and a self-supporting system could reasonably have been included among the alternatives forwarded by Miller to Page and the sponsoring agencies. Miller was inevitably led to conclude that given certain assumptions, 'there could be no deficit on Plan 2'. But a more conservative estimate was stressed: a deficit of \$2.0 to \$6.3 million, depending on the plan chosen. If Miller had been willing to reevaluate the fare structure assumed by DeLeuw, the possibility of a self-supporting system would have been even more likely."

"Miller then considered the Port Authority as a potential source of funds for the project. His reasoning reflected the limited perspective from which he viewed the problem - a perspective that assigned higher priority to safeguarding the Authority's goals than to full exploration of the question. --Miller's arguments were incomplete, illustrating the lens of Port Authority protection through which he saw the issue."

"Not all the interstate studies supported the preferences of the two sponsors, however. Two studies - of less expensive trans-Hudson projects and of bus service improvements - led to rather different conclusions, and the fate of these studies underscores the limited perspectives which guided the interstate work. --Ford, Bacon and Davis was not fully satisfied with the restrictions placed on its studies. --Why were the two regional agencies unwilling to allow Ford, Bacon and Davis to expand their promising initial studies into a detailed exploration of this less expensive alternative?"

"On May 23, 1957, the Page report was released to the public. --Again, were it not for the selective goals that shaped his work, (Arthur W.) Page too might have entertained the possibility of a self-supporting loop system. --The project director's analysis of benefits was built directly upon those of DeLeuw and Miller and contained the same limitations as did those earlier reports. The transit study phase thus ended as it began - the central participants forming a relatively well-integrated subsystem, dominated by the goals of the Port Authority and the MRTC."

"Before, during and after the transit study, the MRTC and the Port Authority drew the attention of the public to the standards which assertedly governed the study. The surveys would be carried out, the Memorandum of Understanding declared, 'without any preconceived conclusions as to the interstate requirements of the area, or the best means ... of maintaining and improving rail transit service.' --In reality, however, the internal and overt constraints which governed the work of the survey group tended to insure that the prior conclusions of the two sponsors would result. --the 'self-interested pressure' of these two organizations shaped the outcome of the surveys. The guide lines publicly proclaimed by the two sponsors tell us more about the ways in which expert studies may be used than about the functioning of those studies. --names and reputations were used to justify results significantly shaped elsewhere--."

"Upon publication of the Page report, the search for transit policy partially emerged from the insulated policy-making environment of the previous eighteen months into a broader political arena. --In contrast with the traditional pro-road and anti-rail positions of the bus operators and Moses, the Port Authority said nothing. The Authority was pleased with the proposal for a new agency to handle regional transit problems, but it had decided to deemphasize its crucial role in the survey and to avoid any public expression of satisfaction with the results. Silence by the Port Authority would facilitate an image of the study as objective and also to keep attention focused away from the Authority as a possible source of transit financing. Consequently, the Page report was released to the public by the MRTC alone, rather than jointly with the Authority, and the Authority neither participated in the MRTC's hearings nor took a public position on the transit proposals during 1957."

"Preparing the final report -- highly critical tone of many of the reactions was a distinct disappointment. --Past choices and ingrained habits of thought limit the ability of any group to strike out along new lines and direct it, instead, along familiar paths. So it was with the MRTC. --the commissioners soon agreed to recommend creation of a bi-state Metropolitan Transit District which would be responsible for regional action on transit problems. --Other members of the MRTC took a different position (divided commission). They assigned highest priority to the problems of maintaining existing railroad services and protecting the financial health of the railroads and the Port Authority. --They also objected to any suggestion in the final report that a deficit-free program might be attainable. In addition, any mention of a self-supporting program would increase the demand for Port Authority action, and this was objectionable to those MRTC members who opposed burdening the Authority with rail problems. --The making of military strategy involves a process of negotiation among spokesmen for conflicting interests; the resulting policy statements must frequently be vague and ambiguous in order to obtain acceptance by all committee members.

--Thus the MRTC phrased its views so as to satisfy both those who felt that little if any action should be taken by the District in this area and those who believed that this should be the primary concern of the new agency. --On January 6, 1958, the MRTC released its report -- This was the environment in which the MRTC and the Port Authority fought for the creation of the District and nearly succeeded, before going down to defeat in the winter of 1958."

The New Jersey Assembly "employed S. J. Flink, professor of economics at Rutgers University, to evaluate the case for Port Authority action. In three reports, submitted--, Flink asserted that the 'Port Authority is the logical agency to assume this responsibility and that it is in a financial position to do so.' It was essential, Flink argued, to coordinate the planning and development of rail and road facilities in the region; and giving rail responsibilities to the Port Authority would facilitate such coordination. --Should the deficit exceed available Authority revenues, Flink argued, state and federal subsidies should be given directly to the Authority. --At a final Assembly hearing in November, co-chairman Tuttle disregarded the interests of the MRTC's financial benefactor and expressed the view that the District might negotiate with the Port Authority for funds to meet any deficits. --The Port Authority joined the debate on the Transit District and the Musto plans during the summer of 1958. --Tobin challenged the rail-oriented reasoning underlying the argument -- Tobin yielded to optimism and expressed a view he would soon retract: 'I think the Port Authority has done everything that it can to help try to find a solution...I think that we have, Mr. Chairman, contributed everything that an agency could contribute and we have nothing more to contribute to this problem.'"

"The efforts to devise new transit policies for the New York area during the years 1945-58 took place primarily in a regional framework.--The need for public action was never demonstrated in dramatic fashion, and most of the region's residents remained apathetic.--At this point, in the winter of 1958-59, three developments coincided,--the federal Transportation Act of 1958,--the announced plans of several rail lines to curtail service--and a new governor, Nelson A. Rockefeller, was elected in New York - a governor who assigned a high priority to action to meet the rail crisis--. As a result of these several factors, in 1959 a pattern of policy-making on the regional transit issue emerged that differed from that of the previous fifteen years--use of public funds --Until 1965, the only step taken which was likely to assure the continued existence and improvement of any important segment of the region's rail network was the Port Authority's reluctant acquisition of the H&M.--The problem of developing adequate long-range solutions for the New Jersey railroads and the lines serving Westchester and Fairfield Counties was still unsolved."

Robert W. Purcell, former C&O official appointed by Governor Rockefeller as special consultant on transportation problems, made a series of proposals which among other things included the establishment of a State Office of Transportation - created in 1959. Purcell's report of March 1959 "criticized the massive highway construction programs in the New York region, programs that aided automobile travel 'with seeming disregard of the economic consequences to the railroads and the bus lines, to say nothing of the impact of the automobile congestion' on business in the metropolis. He leveled a direct attack on the Port Authority for siphoning off rail passengers to its

bridges and tunnels. Purcell urged that a single agency be given 'broad powers' to coordinate all forms of transportation throughout the state; such coordination was, he concluded, a matter of 'paramount importance.'"

"For a short time, the first director of the state Office of Transportation, Lewis K. Silcox, did attempt to press forward along the lines suggested by Purcell. In a memorandum in March, 1960, for example, Silcox criticized the impact of Port Authority facilities on rail-passenger patronage and on traffic congestion in Manhattan, and in a style reminiscent of MRTA co-chairman Charles Tuttle he denounced the attempt to solve the region's transport problems by 'constructing vast (highway and parking) projects at taxpayers' expense. 'Automobile users, Silcox concluded, should help in meeting the costs of maintaining rail facilities. Like Tuttle, Silcox was disregarded. His report was not released to the public, and he was soon replaced as director of the Governor's transportation office. In essence, the strategy of the Rockefeller administration was to follow the path of least resistance."

In New Jersey, "the Governor's chief aide on rail problems, Dwight R. G. Palmer, who also served as State Highway Commissioner, --argued--it (rail service) is 'supplemental' to the 'greatest transportation resource of all - the Federal and State Highway Systems.'--On June 16, 1959, Governor Meyner released the Palmer proposal (to use Turnpike surplus revenues for rail and other transportation needs) to the press and gave it his full endorsement.--the Port Authority found the plan favorable to its own interests, and informally supported it. Port Authority officials argued that tapping the Turnpike surpluses was far different from using Port Authority revenues -- it would reduce the pressure for action by the Port Authority itself.-- The Turnpike proposal was defeated decisively (at the polls), by 877,000 to 647,000."

"--Palmer and his aides sought a new plan. By early April, 1960, they hammered out a new set of proposals, which would form the basis for New Jersey's approach to the rail problem during the next several years.--Palmer recommended -- service contracts (at taxpayer expense),--Port Authority purchase of about 90 new rail cars and lease them to the H&M,--H&M be placed under some form of bistate control, that the railroads carry out various service consolidations and other steps to improve service and reduce deficits--Governor Meyner had suggested that it might be best for the state to abandon its efforts and permit rail passenger service to continue its decline; only the concern of Palmer and the Railroad Division kept the state engaged in a search for alternative plans."

"Under other circumstances, the Port Authority might have rejected Palmer's proposal out of hand and fought to limit its involvement to a minimum, as it had successfully done in New York a year earlier. But its position was unusually vulnerable in 1960--congressional investigation in 1960 'to determine whether Congress should legislate to alter, amend or repeal' its consent to the Port Compact of 1921.' Confronting attacks from several quarters, the Port Authority decided that there was more to be gained by negotiating with Palmer than by rigid adherence to its traditional position that none of its funds could be used to meet rail deficits.--Therefore, the Port Authority did not undertake a public campaign against the Palmer report. Instead, in private conferences with the Commissioner and his aides, the Authority's leaders pressed for a program which would protect the agency from continually expanding rail commitments.--The Port Authority would be willing to purchase, modernize and operate the H&M railroad. --The Authority would take the responsibility for the H&M, and it might later assume other duties in the railfield, but the total annual deficit from its rail operations could not exceed 10% of the Authority's General Reserve Fund."

"As New Jersey and the Port Authority completed negotiations on the rail bill in early 1961, the Authority also announced the results of a year-long study of a proposal for a World Trade Center -- the New York legislature passed a single bill incorporating the H&M and World Trade Center proposals, thus requiring that New Jersey agree to Authority action on the Trade Center before the H&M program could be carried out. --In early 1962, a combined bill was enacted in both states--. Finally, after a quarter-century of opposition, the Port Authority was obligated to use its own funds in continuing and substantial support of deficit rail facilities. --And the Authority, while accepting some direct rail responsibilities, continued to deny that close coordination of rail and highway planning and financing in the region would be beneficial."

"--In spite of perennial warnings from the RPA and other groups, neither state had yet faced what these regional spokesmen believed to be the underlying issue: how to coordinate the development of rail and highway policy in order to insure a balanced, efficient system of regional transportation for the entire New York area. The patterns of fragmented responsibility and hesitant state leadership continued essentially unchanged during the early 1960s. As the financial condition of most commuter lines deteriorated further, political leaders at all levels tried to minimize their own financial involvement and urged others to take action. --Meanwhile, the hopes for coordinated planning and financing of rail and highway facilities were unfulfilled, and the financial strength and political autonomy of the highway coalition continued largely intact. Billions of dollars were spent on road facilities during the late 1950s and early 1960s. Yet the problem of traffic congestion remained as serious as it had in the early postwar period, and the solution offered by the road coalition was the familiar one. --In the fall of 1965, New Jersey officials were still seeking a politically feasible program to alleviate the immediate crisis and to meet the long-range mass transportation needs in the New York region."

"--the region's political system tends to be biased toward the continuation of present policy - i.e. toward the status quo. --When governors and other central regional leaders are actively involved, the study may yield politically feasible proposals; but, given the other demands on their time and their preference for avoiding responsibility for complex and costly problems, such involvement does not often occur. A second and more likely source of influence is the range of interests which may anticipate benefits or losses from the study. --As the efforts of the Port Authority illustrate, such influence may infuse the entire study-group structure, from the detailed work of technical consultants to the framework of general policy and the tactics of publicity and political influence. --Consequently, regional problems are likely to be defined by the states in narrow terms and short-range solutions devised."

"The limited response of state institutions, combined with the already well-developed pattern of city-federal relationships, will probably increase the pressure for additional federal action on regional problems. The national government will frequently be responsive to these pressures, owing to its greater financial resources, often combined with the greater political sensitivity of the President and Congress to urban interests compared with that of the states. The growing importance of regional problems that cross state lines, coupled with the great difficulty of developing cooperative interstate programs, adds an additional incentive for federal action. --The elected leaders of the region seem destined to preside over fragmented segments of metropolitan real estate; while control over government policy on major regional issues flows increasingly to the intricate and expanding networks of state, federal and specialized regional institutions."

Inter-Municipal Group for Better Rail Service  
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Additional copies may be had upon request.



## How Does the PORT Use Its AUTHORITY?

By Charles E. Stonier

Photo - The Port of New York Authority

A recent news item reminded us that the third tube of the Lincoln Tunnel has reached the half-way mark. Another of the Port of New York Authority's major installations is thus about to become a *fait accompli*. When this day arrives, the call for rejoicing, however, may not be as great as such a feat would imply. For the new tube not only will make it easier for cars to leave Manhattan, but it also permits them to get more readily to Manhattan. With the City's already overcrowded streets, no net advantage seems to be gained.

The new Lincoln (Tunnel) tube is apart from the \$600,000,000 arterial highway improvement program sponsored jointly by the Port of New York and Triborough Bridge and Tunnel Authorities announced last January. Since the population in the New York-New Jersey area is expected to increase four million by 1975 together with 2-1/2 million more vehicle registrations - a conservative estimate - it would seem that the proposed plan is an absolute necessity if automobiles are to maintain a satisfactory degree of mobility. Yet, while it is true that the arteries planned emphasize the need to circumvent downtown Brooklyn and Manhattan, they leave the latter to its own problems. Estimating also that trans-Hudson traffic alone - and this means primarily vehicles pouring in and out of Manhattan - will increase almost 80 per cent by 1975, to 135 million cars, one is left to wonder how traffic clogged Manhattan is to cope with any such additional load. Since under the present law any crosstown Manhattan expressways must be toll-free (although there seems to be no reason why this could not be changed in view of the necessity for such facilities), both the Port of New York and the Tri-

borough Bridge and Tunnel Authorities have given up projecting such an undertaking. Apparently they have hopes that the City would somehow find a way to bear the cost of constructing such expressways. The assumption seems to be that faced with the threat of 175,000 more cars being dumped each day on Manhattan Island, an effective form of duress, the City will have to take measures. No wonder Mr. Wiley, New York City's traffic commissioner, was a little puzzled by the lack of consideration of the arterial master plan's impact on Manhattan traffic. There is little comfort for Mr. Wiley at the present time, for he already is faced with virtually insurmountable traffic problems. All we can tell him is: "Brother, you ain't seen nothin' yet!"

The need for two or three new crosstown expressways in Manhattan is acute! Of any major installation in the entire metropolitan area, none other should have top priority of construction. This would give considerably more meaning to the efficacy of the overall highway system. But for the time being it seems that rather than finding better ways for cars to pass through Manhattan, first there are to be more ways to get to Manhattan. This certainly appears to be a "cart-before-the-horse" type of planning. The pretext of lack of jurisdiction is used by the agencies presumably best equipped to carry out decisions concerning comprehensive solutions to the transportation problems of Greater New York. It would seem, therefore, that the primary task of the Port Authority under present circumstances is to effect necessary changes in the law, so that planning may proceed in terms of need rather than expediency. A Long Island-New Jersey connection is just as interstate in

character as any of the other trans-Hudson facilities.

Unfortunately, we must suspect that the Port of New York Authority's reluctance in engaging in such a project is that it may be too expensive and imperil the present financial status and borrowing ability of the Authority. As long as cars pile up near the approaches to tunnels and bridges, a persuasive case can be made in favor of proposing yet another tube or bridge. This type of planning, which has as much method as it has madness, is exceedingly effective in the sense that each new facility creates a need for the next one. Demand continues to outrun supply, a situation unique in the development of transportation in the United States. For the Port Authority this means a solid income basis and an unprecedented capacity for borrowing at low interest rates. One cannot help but suspect that the latter plays a more vital role in the Authority's plans than actual traffic needs which appear to be considered only incidentally.

The Authority need not be challenged if the outcome from the point of view of the general public interest is favorable. But when the result is greater traffic chaos and consequent greater economic loss than is necessary, then the corporate point of view of the Port Authority requires further investigation. And one need not go very far to discover that the Authority has been rather effective in opposing any planning which may in some measure endanger the credit and earnings position which the Authority now enjoys. For example, the Port Authority has made it known, especially in recent years, that in its estimation railroad transit improvements as a means to alleviating the mass transport problem of Greater New York is impractical. This the Authority defends on the ground that any suburban railroad passenger operation would be deficit ridden.

Now it is true that with the vast capital improvements required for an effectively coordinated metropolitan rapid transit system, such deficit operation is likely, although by no means certain. The extent of such a deficit has never

been realistically studied. Earlier Port Authority estimates, for example, assumed trans-Hudson rail crossings requiring one tube for each track. This is not necessary, as two tracks for rapid transit operations are feasible, just as there are two lanes in vehicular tunnels. Furthermore, no one has come up with a rate-structure for mass transit operations that conforms with sound utility pricing principles, allowing for proper differentials between off-and on-peak traffic.\* And even if a sizable deficit is incurred, its magnitude would undoubtedly be exceeded by the economic loss engendered from the failure to encourage certain classes of riders to keep their vehicles off Manhattan streets. Inasmuch as there is no certainty as to the size of this deficit, or whether such deficit is unavoidable altogether, any rejection on these grounds appears premature. And should a subsidized operation be involved, there is no reason why such a subsidy cannot be fully justified, even by the Port Authority. But any trans-Hudson or other improved rail arteries may cause some of the tolls now collected by the Authority to shrink. Its lack of enthusiasm for railroad projects is thus not difficult to explain.

The Port Authority's position in this matter is not new. In 1935 and 1936 it vigorously opposed the construction of a railroad bridge across the Hudson. This bridge was to be financed privately by the North River Bridge Company, after having received a federal charter. This organization had managed to get a bill passed twice in the United States Senate authorizing construction of the bridge, but was stopped in the House of Representatives. The Port Authority's objection at the time included two features; 1) there was no need for a rail connection between New Jersey and Manhattan, and 2) construction of the proposed bridge would undermine the financing of the Lincoln Tunnel then underway. The Port Authority was successful in getting support from many organizations, especially on the New York side, and apparently was so eager in its opposition, that it had to resort to misleading statements in its testimony.\*\*

\* One exception along these lines is represented by a study on New York subway fares see Vickerey, William S. "The Revision of the Rapid Transit Fare Structure of the City of New York", Mayor's Committee on Management Survey, 1952.

\*\* such as giving the impression that the bridge would be built at the mouth of the Hudson River, when the proposed location was in the 60th Street area, and that it would interfere with naval vessels, when they already could pass under the Brooklyn Bridge.

In 1937 the Port Authority issued plans for a rapid transit system with an estimated deficit operation amounting to between \$300,000 and \$1,000,000 annually. It was suggested that local communities underwrite such an operation. This suggestion was a certain way in which to get the transit plans rejected. It is true that the Port Authority has over the years had a difficult time in getting cooperation from the railroads as far as consolidations of various types of operations in the New York Port area are concerned. Perhaps this may have been a contributory cause for the Authority's "highway-mindedness" of today. But this latter position has reached a point of gross unreasonableness. It most certainly cannot be denied that the motor vehicle age is becoming more intensified, that our economic and social life centers more and more upon the mobility and convenience provided by the automobile, nevertheless passenger railroad transport still has a big job to do within congested metropolitan centers. As the railroads stand almost helpless (although by no means entirely) in their losses sustained by suburban passenger operations, a process of attrition has set in. Service reductions and abandonments, coupled with fare increases have become the rule. There have been no significant attempts to rehabilitate this type of traffic, representing 1/4 of a million daily passengers in the New York area. This process has been permitted to continue, notwithstanding the vital role railroad transport might play in reducing traffic bottlenecks. For the Port Authority declining use of railroad service has meant greater revenues from its own facilities as traffic was diverted from rail to rubber. So why should it interfere?\*

The reluctance of the Port Authority to get involved with railroad transportation was once more illustrated when it was suggested that it solve the Long Island Railroad bankruptcy. The Authority politely refused, and perhaps it cannot be blamed altogether for doing so. In view of the Authority's attitude toward transit, it was just as well that a separate organization was created to tackle this problem.

More recently, the pinch of higher commuter fares for less frequent service has resulted in greater public agitation for something to be done.

A Metropolitan Rapid Transit Commission was established by both New Jersey and New York. It has functioned first separately, but it is now a joint Commission. Its purpose is to study the Transit problem and make appropriate recommendations to the legislatures of each state. It was not long before disputes arose between the new Commission and the Port Authority. Charged with delaying tactics, the Port Authority came under fire in the New Jersey legislature early in 1954. A resolution was introduced there urging that all Authority projects then underway or planned be halted, subject to an investigation of the soundness of the projects involved. Unfortunately this resolution was ill-conceived. It was too drastic in its purpose, since the Authority had been doing a satisfactory job on various activities outside of highway planning. When an attempt was made to amend this resolution by restricting it only to vehicular projects, it was too late to stem the feeling generated against the resolution.

The controversy between the Port Authority and the Transit Commission centered on the appointment of a director to be in charge of a coordinated transit study. In order to guarantee Port Authority participation in any such study, it made available \$500,000 to be used for the interstate aspects of transit operations, the remaining \$300,000 appropriated by the state legislatures going toward intrastate considerations.

Now, if the Port Authority had acted in compliance with the compact under which it was created, wherein a comprehensive study of New York's railroad passenger and freight needs was provided for, it would not have been necessary to establish a separate rapid transit commission. The Port Authority should have come up with a satisfactory solution many years ago, especially when it is willing to spend a half million dollars for a study. But when it openly showed misgivings about the existence of the transit commission, when quarrels developed serious enough to cause the resignation of all of the New Jersey members of the Commission, when instead there should have been unqualified support by the Authority, one cannot but assume that the latter's participation at the moment is intended to scuttle the Transit Commission's purposes.

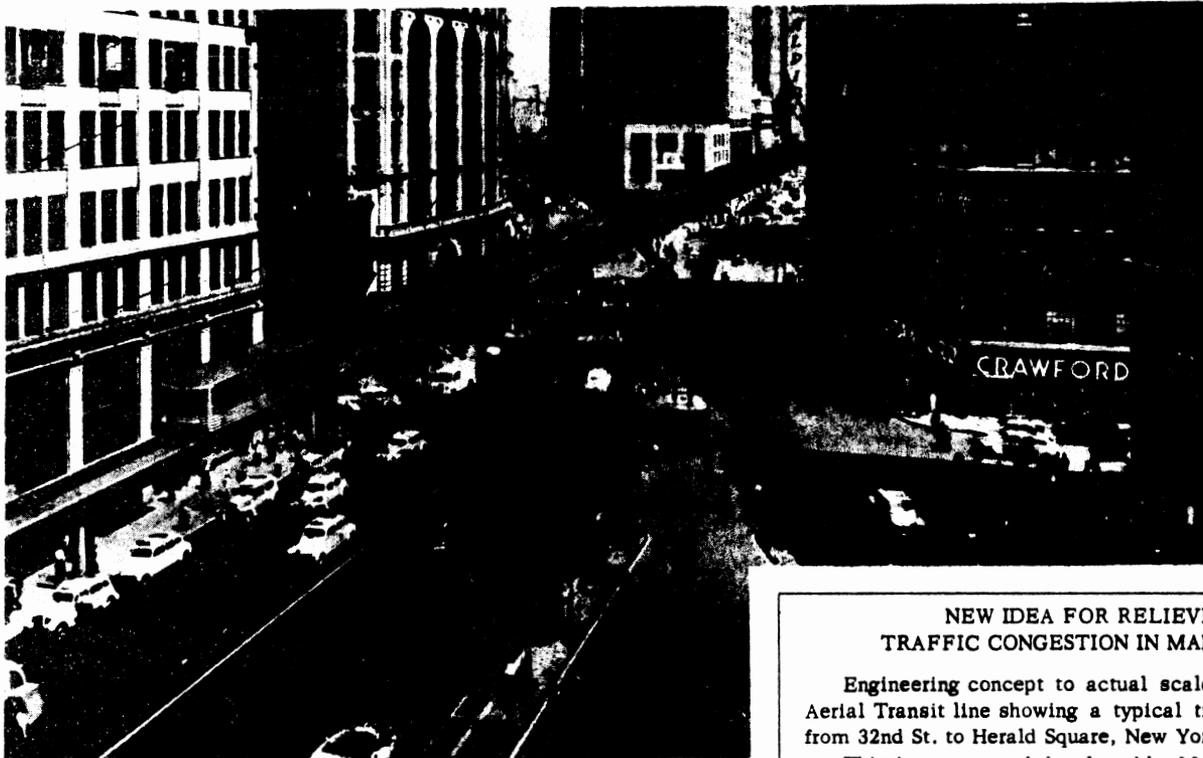
\* The Authority has been conspicuously absent in commuter fare cases, leaving it up to municipalities and private organizations to fend for themselves - mostly unsuccessfully - in keeping commuter fares low.

In all likelihood the expected recommendations under the influence of Port Authority thinking will show once more the impracticability of rail transit, its potential deficit, so that the Authority may continue unmolested in its building of vehicular tunnels and bridges. Findings of this type are likely to close the door for many years - when it may be too late altogether - to much needed improvements in rapid transit services within the Greater New York area.

In the testimony presented by the Port Authority at the first general hearings of the Transit Commission, it was stated in effect that rapid transit no longer made sense. There have been several statements by officials of the Authority since then emphasizing that the only salvation toward traffic relief is the building of more vehicular facilities. Some of these statements have reached a state of arrogance, while others are effectively implemented by a competent public relations staff. There appears to be no public agency in the New York area that has so many speakers and movies so readily available.

The merits of rapid transit have been discussed here in earlier articles. If it were not for the fact that many cities faced with similar problems advocated in some measure the use of railroad facilities as a practicable means in relieving traffic, the Port Authority may be condoned. But Boston, Chicago, Toronto, Cleveland and San Francisco in particular have included railroad services as an integral part of the solution of not only traffic problems, but also other economic aspects concerned with the proper functioning of urban centers. Even though deficit operations are involved, they save money in the long run, i.e. they are in effect economical.

And so the New York area is left with several underutilized and underdeveloped rail arteries, while the opposite is true for highways. While vast sums of moneys are expended on improvements for the latter, railways are permitted to deteriorate. While a more intensified use of all transport lines is vitally needed and feasible, there is little likelihood that such development is now in store.\* The circular reasoning employed by Mr. Tobin, executive director



#### NEW IDEA FOR RELIEVING TRAFFIC CONGESTION IN MANHATTAN

Engineering concept to actual scale of the proposed Aerial Transit line showing a typical train looking north from 32nd St. to Herald Square, New York.

This is a proposal developed by Mr. Henry K. Norton, President of the New York, Susquehanna and Western Railroad.

A ray of hope arises when persons not connected with existing highway planning agencies present imaginative proposals, such as Mr. Norton's recent Aerial Transit system. Whether sound or not, at least it reflects that there are solutions being thought about by others than Port Authority influenced planners. (see photo)

of the Port Authority, becomes apparent. He states the public prefers cars, otherwise would traffic have increased by such proportions? Mr. Tobin is undoubtedly correct concerning many types of traffic, but the public's preference in connection with commuting is undoubtedly guided by the availability of good service at low cost. If the trip to Manhattan can be cut by 20 or 30 minutes using rapid transit, by installing equivalent improvements as have been bestowed on highways, then fewer would be inclined to take their cars. But such a trend, however temporary, is not the kind of pill the Port Authority would willingly swallow. And apparently it is going to have its way, even though any cars that can be kept out of Manhattan accrue to the benefit of many people.

Present technological and geographical conditions make it possible to bring the heart of Manhattan closer to the outlying residents, especially those located in New Jersey, by rail rather than by highway. Purely on these grounds, omitting considerations of traffic relief, labor mobility, manhour savings, civil defense, etc., the Port Authority has let the New York area down. And this raises the most important question concerning the conduct of the Port Authority. If its planning has really been contrary to the best interests of the majority of those which it is supposed to serve, what safeguards exist or can be enacted to pass upon Port Authority activities? How can the general public be fully protected against an agency ostensibly best qualified to pass upon so complicated an issue such as metropolitan transportation? The Port Authority is now in a position whereby it can only act to the detriment of the Greater New York area's interests, as far as vehicular traffic and railroad rapid transit is concerned. For its policy must be guided by the soundness of its debt, its ease to float new issues, its maintenance and improvement of its credit rating. Not filling the needs of the New York area, but to get an "Aaa" rating by Moody's investor service seems to be paramount in the Authority's planning.

To make recommendations concerning a shift in the frame of reference of the management of the Port Authority at the present time would involve a large number of legal questions. The general public for the moment does not stand a chance. For the Authority deals in highly technical matters which are often beyond

the average interest and sometimes comprehension of the ordinary citizen. Equipped with a superb public relations staff, the Port Authority continuously reinforces a general impression that anything done by the Authority is the best to be had.

This is not to imply that all Port Authority activities should be condemned outright. In fairness, it should be stated this agency has been, on the whole, indispensable in protecting the welfare of Greater New York. Especially the promulgation of air and marine terminals, the effective promotion of "Ship via New York" programs, as well as many other activities deserve much credit.

It is not surprising, that the general nature and vastness of Port Authority undertakings engender opposition. Whether this may involve an airline's dissatisfaction with the space it has been allotted at one of the Authority's air terminals, or a railroad's objection to the relocation or elimination of a floatage dock, a municipality's insistence on fringe benefits, such as recreational areas, in return for permitting the Authority to go ahead with a project...., this is to be expected. Furthermore any agency, public or private, is entitled to its share of mistakes.

However, the misguided planning of the Port Authority under a veil of infallibility has reached such serious proportions, that the legislatures and the people must be informed of this. Those currently guiding the Port Authority, if they do not wish to scuttle an experiment in public administration which had shown much promise from its inception, must be prevented from acting like the directors of a General Motors. For the latter must first return dividends to its stockholders, while the Port Authority, carefully created to carry out duties in conformity with the general public interest and need, must meet its obligation as a public trust. When this trust is being violated, when it goes against provisions specifically enumerated in the statutes, and when in effect a vested rather than a general interest is furthered, then it becomes incumbent upon the executives and legislatures of New York and New Jersey to take appropriate measures. This they must do by listening to others besides representatives from the Port Authority, so they will be able to establish adequate controls against any technocratic rule by that agency.

Summary of Report by Alexander H. Elder to the  
New Jersey State Department of Conservation & Economic Development  
on the New Jersey - New York Port Problem

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Preface: This report, although dealing primarily with the port and freight rate problem, covers matters of importance concerning New York City and the nation, with particular reference to the transit problem affecting the metropolitan New York City area.

There are two vital transportation problems confronting the great metropolitan area of New Jersey - one is the development of its potentiality as the ultimate location of most of the freight interchange facilities of the greatest port in the world and the other is the development of a modern transportation system that will unify the North Jersey Metropolis and also provide expeditious mass transportation between North Jersey and New York City.

The Port Authority was set up by the states of New Jersey and New York, with the approval of Congress, to plan and promote the construction and operation of joint terminal facilities that would bring about maximum efficiency and economy in the operation of the port. Although the Port Authority has a splendid record of accomplishment in the financing, construction, and operation of vehicular bridges, tunnels, airports, bus and truck terminals that have stimulated enormously bus, truck, and air transportation (as well as auto transportation) in the area, the fact is however, that the primary purpose in the creation of the Port Authority was to find a solution for the rail transportation problem, both freight and passenger, confronting the New York Metropolitan area and that after 30 years, it has made very little, if any, progress in solving either of these problems. As to rapid transit, the chief mass transportation agency between New Jersey and Manhattan 30 years ago was the Hudson and Manhattan Railroad, which owing to increased auto and bus competition via the tunnels (and bridge) dropped from over 100 million passengers in 1929 to less than 50 million in 1951.

The Interstate Commerce Commission, while repeatedly finding that the Port of New York was badly organized, has deferred any regulatory action in the hope that the railroads, or the two states through the Port Authority, would reform physical conditions by some form of joint terminal operation that would integrate the port. The sole purpose that induced New Jersey to enter into the Port Authority Compact was to realize the benefits hoped from the "Comprehensive Physical Plan", the theory of which was to unify the terminal operations of the railroads, which being privately owned and operated, are required to compete in this terminal area where it is most active and where there is an inherent conflict between terminal competition and terminal unification. The railroads could hardly be expected to initiate such a unification, if indeed they could legally do so. It was to overcome this paradox and eliminate the duplication involved in terminal competition that the Port Authority was set up.

The economic theory underlying the comprehensive plan was that economies of joint operation and tax exemption would make possible the construction by the Port Authority of new joint railroad-steamship facilities on a self-liquidating basis and result in great savings to the public and great advantage to the port. This plan was abandoned over twenty years ago when the Port Authority's activities were shifted from finding a solution for the port problem to the construction and operation of vehicular tunnels and bridges and more recently airports, which instead of promoting the plan, have thus far had just the opposite effect. The result is

that the Port Authority today has no legislated master plan to guide or control its activities, that traffic propagated by tunnels and bridges, instead of reducing, has aggravated street and terminal congestion in Manhattan, that this congestion is driving business from the port and forcing decentralization of industry, and that the port and mass transportation terminal problems, both freight and passenger, have been neglected and remain unsolved.

Notwithstanding the abandonment of the comprehensive plan which dealt solely with the railroad-steamship port problem and the substitution therefore of a continuing program of building vehicular and airport facilities, the Port Authority in each annual report continues to record "important progress on the "Plan", and although the "Plan" is dead, the slogan "Port Unity" lives on. In view of these facts, public and industrial leaders should consider and decide the fundamental question whether we should be content to leave the future development of the port problem to a bi-state agency whose dominating interest now is a vested interest in propagating more and more vehicular and air traffic or should we at last wake up to a realization that the alleged "port unity" we have been acquiescing in is a delusion, that the future of the whole port is in jeopardy, that a great opportunity that may be lost now beckons, and that the salvation of the port depends on a relocation of functions and activities.

It is true that the New York Metropolitan area, in some respects, is one great community, and that from the standpoint of total business, employment, and cultural activity, it is of vital interest to New York City that the pre-eminence of the port district as a whole be maintained. But there are many indications that the future of Manhattan and the competitive position of the port is being increasingly endangered by traffic congestion and avoidable terminal expense, resulting in the port of New York losing not only traffic, but many allied business activities.

A crucial question for New York City now to consider is whether, in the light of totally changed conditions, its real interest and the future prospects of the port will be better served by further committing its resources to an obsolete and fundamentally unsound organization of the port, or by cooperating with New Jersey in the modernization and upbuilding of the port.

The importance of the functioning of the port of New York to our whole national transportation system was strikingly shown in 1917 when the Federal Government justified the taking over of the operation of all railroads, primarily because of the terminal congestion at the New York harbor; if another such an emergency should arise, involving as it would under present conditions, not only the railroads but the public highways and city streets of the New York Metropolitan Area, it might easily happen that the whole national economy would become involved.

Summary of letter of 1/21/53, reviewing Mr. Elder's report, from W. P. Hedden, Director of Port Development of the Port of New York Authority, to Hon. John F. Sly, one of six N.J. Commissioners of the Authority.

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"I believe if Mr. Elder were thoroughly familiar with the activities of the Port Authority, he would conclude that it has achieved a notable success in progressing the development of New Jersey from every aspect of transportation, except the unification of rail freight terminals and the solution of the troublesome problem of rail passenger transit.

"As far as the suburban rail transit problem is concerned, the Authority has repeatedly analyzed plans, estimates and economic feasibility of carrying these forward and submitted reports to legislative committees, the Governor and others. It is obvious, as has been recently recognized by the Legislatures of New Jersey and New York, that the rail passenger transit situation is unique in that the maintenance and extension of necessary facilities in every metropolitan region involves a special financing problem. The experience of the municipal transit systems in New York City, Boston, Cleveland, San Francisco, and the rail corporations engaged in handling commuters, such as the Long Island Railroad, New York, Westchester & Boston (now defunct), Hudson & Manhattan and the shorter New Jersey commuter lines, is that revenues from operation are not adequate to support the necessary debt service. Therefore, the Port of New York Authority, whose financial structure depends upon the sale of revenue bonds, cannot be used for a solution to this problem.

"Within the year, both the State of New Jersey and the State of New York have set up metropolitan rapid transit commissions to study the suburban rail commuter problem. In the light of the realities of the situation, the Port Authority is glad to continue to give such technical assistance to these commissions as it may be called upon to furnish, but it cannot undertake the solution of this problem which is beyond the resources of an agency confined to financing on a revenue bond basis of self-support.

"Aside from these two areas of rail problems, the Port Authority has made great studies in developing Northern New Jersey."

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Mr. Elder's answer of 2/11/53 to Honorable John F. Sly on Mr. Hedden's comments as expressed in his letter of 1/21/53.

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"My gripe is that New Jersey for at least 25 years, has neglected to promote the development of its potentiality as a part of the greatest port in the world; that the Port Authority was created to carry out a plan for that purpose but the plan has been abandoned and the Port Authority's energies and resources have been diverted to other activities. The result is that the facilities of the port are today obsolete. Terminal costs are excessive, the 'Port Problem' and the rapid transit problem are as far from solution as they were in 1921, the competitive position of the port is in jeopardy, and no one has any long range plan for doing anything about these matters. In the absence of any master plan the whole accent seems to be on the propagation of more subsidized street and air traffic within the metropolitan area.

"The Compact:

Article I: Two states agreed to cooperate 'in the future planning and development of the Port'.

Article IX: 'Nothing contained in this agreement shall impair the powers of any municipality to develop and improve port and terminal facilities.'

Article X: The legislatures of the states, prior to the signing of the agreement, or thereafter as soon as may be practicable, will adopt a plan or plans for the comprehensive development of the port of New York'.

Article XVI: '--each state reserves the right hereafter to provide by law for the exercise of a veto power by the Governor thereof over any action of any commissioner appointed therefrom'.

"The statute of New Jersey, (Chapter 9, N.J. Laws of 1922) defining and approving the Comprehensive Plan and thus consummating the Compact in accordance with Article X provides in Section 7 "The right to add to, modify or change any part of the foregoing comprehensive plan is reserved by each state, with the concurrence of the other."

"It seems apparent from the above provision that the two states when they entered into the Compact had no thought of creating a super-state. Neither state would approve the Compact until they had first agreed on a master plan for integrating the railroad-steamship facilities of the Port. The Port Authority was created to carry out that plan but the states expressly reserved to themselves the power 'to add to, modify or change' the plan, and to veto action taken by the Authority; and they also expressly reserved to their municipalities the right 'to develop and improve terminal facilities.'"

"The Compact unmistakably contemplated that the Port Authority would be an administrative agency authorized and directed to carry out a legislated master plan. Such a long range plan it was thought would be a guide not only to the Port Authority, but to the municipalities, the railroads, the steamship companies and to countless private investors. In the absence of any plan the Port Authority for 25 years has been deciding far reaching questions of public policy without legislative direction. In the meantime port facilities have become obsolete, traffic and transit conditions deplorable and port costs grossly excessive as compared with other ports.

"Furthermore, it is no longer true, as Mr. Hedden suggests that the Port Authority is 'confined to financing on a revenue bond basis' because it now enjoys annual revenues of \$50,000,000 derived from projects that have already been financed. The Authority therefore appears to be the only agency competent to deal with the major problems of terminal unification and rapid rail transit for which Mr. Hedden admits the Port Authority now has no solution, no plan, and no directive.

"The above extraordinary developments involve fundamental questions of public policy that were not dreamed of when the Compact was entered into. Yet the Compact provides effective provisions for dealing with them. My proposal is not that the Compact be repudiated but that New Jersey should now insist that the bi-state agency begin to effectuate the real purpose and intent of the Compact. In short, my proposal is that New Jersey, after many long years of frustration, should now firmly decide to carry out its pledge of interstate cooperation in the national

as well as the local interest, and insist that the bi-state agency direct its resources primarily to effectuating the original purpose and intent of the Compact."

Henry C. Mabie, Secretary  
Inter-Municipal Group for Better Rail Service

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