

THE PORT OF NEW YORK AUTHORITY

COMMISSIONERS—NEW JERSEY
FRANK C. FERGHON, CHAIRMAN
JOSEPH M. BYRNE, JR.
JOHN BOGG
RAYMOND M. CREED
FRANK DORSEY
JAMES W. COSTELLO

COMMISSIONERS—NEW YORK
HOWARD S. CULLMAN, VICE-CHAIRMAN
JOHN J. PULLEYN
RUDOLPH REIMER
CHARLES S. WHITMAN
FRANK J. TAYLOR
EUGENE F. MORAN

Twenty Second **194**
Annual Report

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THE PORT OF NEW YORK AUTHORITY

111 Eighth Avenue-at 15th Street New York NY

To the Governor and Legislature of the State of New York

To the Governor and Legislature of the State of New Jersey

THE twenty-second annual report of The Port of New York Authority which we are transmitting to you herewith is a review of activities in a period of severely declining revenues and curtailed expenditures.

During 1942 the gasoline and rubber shortages impinged directly upon public facilities dependent on vehicular revenues. Since May 15, 1942, when gas rationing became effective in the East, our traffic declined 27%. Over the whole year our operating revenues were \$2,528,994 under the 1941 level. At the same time, extraordinary measures were necessary to protect the bridges and tunnels against the danger of sabotage. In the face of declining revenues, and despite the added burden of security expenditures, we effectuated a drastic program of retrenchment, amounting to annual savings of \$720,000 in operating costs.

THE PORT OF NEW YORK AUTHORITY

Of necessity, long range planning and development were overshadowed by current problems. Manifestly, all public agencies must, today, subordinate activities that do not contribute directly to the paramount task of the hour—winning the war.

None the less, we believe we should be derelict in our duties, as defined by the Port Treaty of 1921 and supplementary legislation affecting the Port Authority, if we did not, at this time, direct your attention to serious problems which the Port of New York will face at the end of the war.

Economic Importance of the Port

The port has been the prime and fundamental natural asset of the States of New York and New Jersey throughout their history. In modern times, this has been perhaps insufficiently appreciated. Yet, it is a fact that one out of every ten persons gainfully employed in the metropolitan area is, directly or indirectly, dependent upon the port for a livelihood.

This includes an estimated 250,000 workers engaged in transportation and allied services—employees of steamship lines, railroads, trucking companies, marine departments of insurance companies, foreign trade divisions of banks.

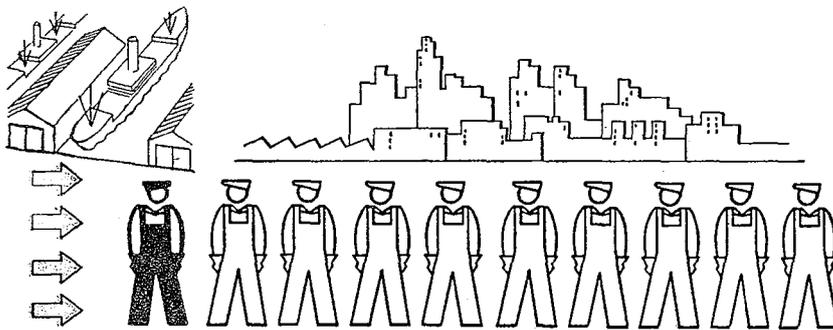
In addition, approximately 150,000 workers are normally employed in the refineries, assembly and bulk distributing plants located along the waterfront—industries which require a port location, either for the receipt of raw materials or the shipment of finished products by water.

The New York and New Jersey sections of the port to-

THE PORT OF NEW YORK AUTHORITY

gether represent a plant investment of several billion dollars in piers, terminals, warehouses, channels, anchorages and equipment.

It is our earnest belief that the livelihood of these workers and the future productivity of this plant will be seriously challenged in the post-war period. This is not said in a desire to create alarm but rather to stimulate prompt and constructive measures to prevent a foreseeable and, we confidently believe, preventable decline.



ONE

OUT OF EVERY TEN WORKERS
IN THE METROPOLITAN AREA
IS DEPENDENT UPON THE PORT
FOR A LIVELIHOOD

Threats to Port Commerce

The threat is threefold. To state the proposition affirmatively, we suggest, first, that the Port of New York must meet the challenge of the revolution in transportation which has been accelerated by the war; second, extraordinary measures will be necessary to regain the commerce which war has diverted to other port areas; third, the danger of burdensome terminal and local transport costs must be attacked with a new vigor and decisiveness.

Wartime progress in the use of airplanes for the movement of cargoes and passengers has been phenomenal. We do not subscribe to the school which holds that the bulk of commerce will one day cease to move by ship, rail or truck. Yet, we do believe that air transport will compete for an important volume of high grade freight and passenger traffic and that the Port of New York must plan now for the development of those facilities and the acquisition of those services which will make this port the crossroads of the world's air lanes, as well as the nation's principal gateway for waterborne commerce.

Furthermore, it cannot be taken for granted that, after the war, the steamship services from this port will, as in the past, be unequalled. Because of military necessity, many services, formerly centered at New York, have been allocated to other ports. It would be unrealistic not to anticipate strenuous efforts on the part of those competing ports to retain those steamship services. They are the magnet for the export trade that flows from the interior and selects its gateway on the basis of the available overseas services. As a matter of fact, the competition has already begun. The strategy of the other

ports is mapped and in some cases the campaigns are under way.

In the period of intensive competition after the war, the Port of New York will require the most efficient and economical terminal facilities. High terminal costs have been, historically, the destructive by-product of intensive metropolitan development. Insofar as land and labor costs are the determining factors, there is no direct remedial function within the Port Authority's jurisdiction. Much, however, can be done to cheapen the local cost of transportation.

Under our statutory duties, we are directly concerned with all transportation and terminal methods, rates and practices at this port. We recognize the need for large scale improvement in this field and will continue to shape our plans toward that objective.

Survival of World Trade

It must, however, be recognized that efforts to make the Port of New York a more efficient gateway for trade will be meaningless unless there is, in fact, a flow of foreign commerce after the war. Because the economic well-being of a large section of New York and New Jersey is at stake, this basic postulate of the port merits the attention of the chief executives of the two states, as well as the state and national legislative representatives of the Port District.

Port commerce can survive only if our foreign trade survives and flourishes. Should we experience a sharp decline in our foreign trade, the Port of New York District will experience a grave economic depression. The port's fate would be akin to that of Nantucket after the whaling trade dried up.

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No program of so-called made work can revive a port economy that has lost its roots. To be sure a sound public works program can aid in easing the transition from war to peace in port as in national economy. But just as private endeavor should be the well-spring of a sound national economy, so foreign commerce is the life blood of a prosperous port.

In creating the Port Authority, New York and New Jersey pledged faithful cooperation in the future planning and development of the port, holding in high trust for the benefit of the nation its special blessings and natural advantages. Charged as we are with the fulfillment of that solemn pledge, we believe it is not too early for New York and New Jersey to shape joint plans and a common approach for the solution of the trade and transportation problems upon which the future prosperity of the port district so largely depends.

Respectfully submitted,

F. P. Fitzgibbon
CHAIRMAN

Samuel J. Freeman
VICE-CHAIRMAN

John J. Griffin

John J. Valleys

John W. Long

Richard A. Minner

A. M. Green

Charles F. Shattuck

Frank J. Taylor

William D. Dancy

Eugene J. Moran

April 1, 1943 • New York, N. Y.

TWENTY-SECOND ANNUAL REPORT
THE PORT OF NEW YORK AUTHORITY

DEVELOPMENT OF THE PORT

THE States of New York and New Jersey created the Port Authority as an instrumentality to develop the port and further the growth of its commerce. Insofar as terminal and transportation charges are the determining factors, the 1921 Port Treaty, Comprehensive Plan and Supplemental Statutes are blueprints for a continuing campaign to lower the cost of doing business and of living in the Port District.

Reduced to its simplest terms, the problem which concerned the two states was the high price of Mrs. Jones' potatoes. When it left the farmer's barn, the humble sack of potatoes was not a costly item. But before the potatoes reached Mrs. Jones' grocer, and eventually her table, they had passed through a series of terminal and trucking operations which contributed disproportionately to the total cost.

Combatting High Handling Costs

What accounted for high handling costs? So far as Mrs. Jones' potatoes were concerned, improvements in the terminal marketing system were needed. Applied to the whole vast

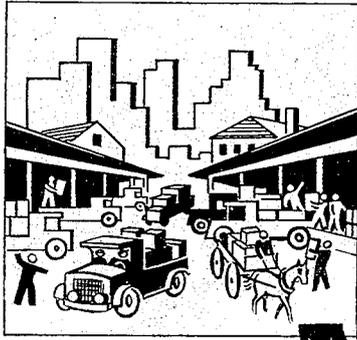
movement of millions of tons of cargo into, out of, and through the port, the problem was to simplify port operations, to stop wasteful competition in terminal facilities for which ultimately the shipper and consumer paid. The goal of port development accordingly was defined, in 1922, as the unification, coordination and expediting of terminal operations.

It is of interest to note that an identical objective is fixed in the report on transportation submitted to the National Resources Planning Board in 1942 by the Young Committee. In stressing the need for eliminating wasteful competitive practices in the large terminal areas, the report, in effect, translates into national terms the principles established by the States of New York and New Jersey to guide the Port Authority.

The high cost of fresh fruits and vegetables to local consumers, as typified by Mrs. Jones' potatoes, stems in part from an archaic terminal system which is estimated to add at least four percent to the consumer's purchase price. Reorganization of the produce terminals and operations, it is believed, will save consumers annually some \$9,000,000 of preventable waste. This is equivalent to the purchase price at the retail store of over 6,000 carloads of fruits and vegetables—enough to provide a year's supply of these foods to a city the size of Rochester or Jersey City.

Construction of a union produce terminal to accomplish these savings has been under joint study by the City of New York and the Port Authority. However, because of the shortage of critical building materials the project must be held in abeyance for the duration. Final plans will be progressed in anticipation of early postwar construction.

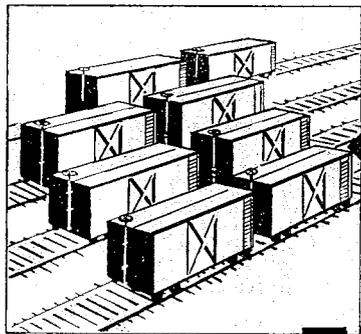
MODERN PRODUCE TERMINALS WILL CUT LIVING COSTS



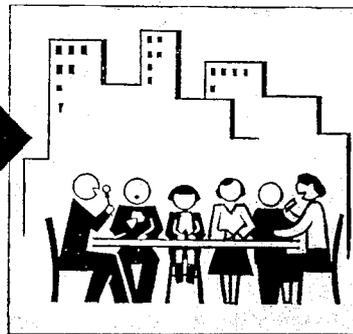
Inefficient Terminal Methods in New York's Produce Markets



\$9,000,000 of Preventable Waste Annually



Retail Cost of 6,400 Carloads of Fresh Fruits and Vegetables



A Year's Supply of Fruits and Vegetables for a City of 300,000

Wartime Aspects of Port Development Program

Since the material situation dictated the postponement of new port projects, the emphasis during the past year has been upon efforts to increase the efficiency of port operations under wartime conditions and on the basis of presently available equipment.

In the case of the railroad terminal operations at the Port of New York at the present time, the primary need is to make maximum use of tugs, harbor barges, and waterfront loading facilities.

At the invitation of the Freight Traffic Managers Committee and the General Freight Conference of the railroads, the Port Authority has suggested methods of increasing the average load of each railroad barge or lighter by concentrating like shipments to the same ship or destination at one lighterage loading terminal. It was also urged that existing arrangements between railroads for joint use of tugs and lighters be strengthened and extended.

With the prospect that 1943 will show a marked increase in the output of ships for overseas service, railroads, shipping and port facilities will be called upon to handle an increased load. The number of lighters and barges is not capable of rapid expansion because of shortage of materials, crews, and facilities for construction. The most promising method of handling more freight, requiring lighterage delivery, with the equipment available, is to increase the average load delivered per lighter.

The herculean achievements of the American railroads in overland transport will be one of the sagas of the war effort. The railroads' harbor transfer operations, however, must not

be permitted to become a limiting factor in their ability to handle a mounting volume of export traffic.

During the past year, considerable staff time has been devoted to cooperation with federal agencies and with the business community in meeting the varied port problems created by the war. Because of the requirements of wartime censorship, the many phases of collaboration with the military authorities in this area cannot be recorded in detail at this time. Illustrative of certain activities, the nature of which may be revealed, is the work of the Truck-Pier Coordinating Committee, a clearing house of motor truck operators and shippers, organized by the Port Authority. During 1942, the work of this Committee was chiefly concerned with expediting deliveries to the various facilities operated by the Army under the Port of Embarkation. For this purpose, the Committee serves as the coordinating agency between military port officers and the motor truck industry.

Port Terminals of the Future

In the period of intensified inter-port competition, anticipated after the war, concrete steps to reduce the cost of doing business in the Port of New York District will be a practical and immediate necessity. The need for unification and coordination of railroad terminal operations has already been cited. This is but one aspect of the problem.

All indications point to the increasing use of the motor truck for terminal operations of all carriers, whether by water, rail or air. That is to say, commerce will move into and out of the Port District by a variety of long distance carriers. The

charges for these services are determined by federal regulatory agencies. Once the goods arrive at the periphery of the Port District, it is within the power of those concerned with the efficiency of the port to keep terminal costs at a minimum level. Efficient use of the motor truck for terminal service, in handling miscellaneous package-merchandise, demands a series of strategically located terminals. Thus shippers of less carload rail, motor, express or air freight, while utilizing the long distance carrier of their choice, would be served through a unified terminal operation. The resulting savings can be measured not only in the elimination of duplicated services, but also in the material reduction of truck mileage, relief to traffic congestion and ensuing time savings.

Considered for construction in 1942 by the Port Authority was another of the union terminal projects previously authorized by legislation, Union Inland Terminal No. 2, a union freight terminal for motor trucks. This project would save an estimated 1,320,000 truck hours a year on Manhattan Island alone. At the same time, it would lighten the load on city streets and reduce terminal costs. The union motor truck terminal was the subject of a public hearing by the Port Authority on February 25, 1942, at which time the transportation and commercial interests of the district attested to the public need for this improvement. However, because of the shortage of critical materials, it was found impossible to start construction during the war.

The material shortage also dictated postponement of the union marine grain terminal project which was being explored by the Port Authority in conjunction with the grain interests of the area.

A Joint Task for Labor, Business and Government

Economies in terminal operations are not merely a matter of public planning. To make them effective, the active cooperation of carriers and labor is necessary. There is, for example, no net economic gain in constructing union freight terminals, if carriers give no more than lip service to the theory of unification and continue to operate duplicative facilities.

Nor can a union produce terminal accomplish the promised savings if the produce trade clings to obsolete methods. By the same token, organized labor must appreciate the factors which contribute to high terminal costs. Labor, as a consumer group, suffers the effects of wasteful operations which produce high terminal charges. Indeed, the price of Mrs. Jones' potatoes is of primary concern to labor. It is recognized that progress in this field may entail individual hardships, such as reduction of property values in certain areas and some technological shifting of labor. But, in the final analysis, it is business and labor which will bear the brunt of the blow if commerce at the Port of New York suffers a major decline as a result of differentially higher terminal costs than those obtaining in competing communities.

PROTECTION OF PORT COMMERCE

THE flow of port commerce is determined by two primary factors: first, the availability of maximum transportation services; second, the total cost via that port of shipping the product from the domestic point of origin to its destination market, or in the reverse direction.

Railroad freight rates, which are under the control of federal agencies, can free or throttle the stream of commerce. While the Port of New York can compete on a basis of equal treatment with any other port, unremitting vigilance is necessary to resist efforts to divert traffic from this port by rate manipulations.

In accordance with the Port Authority's statutory duty to intervene in any proceeding affecting the commerce of the port, this agency has been engaged in continuous efforts to combat the demands of competing ports for preferential treatment. Transportation rates, storage charges and general port practises are discussed directly with the carriers. When necessary, they become the subject of formal petitions, briefs and oral testimony before the Interstate Commerce Commission and other regulatory bodies.

In 1942 the Port Authority intervened in six proceedings affecting the commerce of the Port. The points at issue included a proposed increase in storage charges on export traffic at North Atlantic ports; inland water carrier rates on sugar; storage rates affecting such imports as wood pulp, rubber,

china clay and sugar; an extra charge for lightering east-bound lumber; and several proposals tending to increase the cost of motor truck deliveries to the Port of New York.

Joint Action by North Atlantic Ports

A significant development of the past year was the increasingly regional alignment of ports in the competition for traffic. The Port Authority participated in the organization of the North Atlantic Ports Traffic Conference which includes representatives of Boston, Providence, New Bedford, New York, Albany, Newark, Philadelphia, Wilmington, Baltimore, the Hampton Roads Ports (Newport News and Norfolk), and Richmond. The conference has proved a convenient method of discussing rate matters with the carriers when preferential treatment of ports on other seaboard is an issue. Coordination of efforts has also been possible when formal appeals were taken to the Interstate Commerce Commission. The regional conference method should prove useful in meeting some of the problems which will confront the Atlantic ports after the war.

Effect of War Upon Port Commerce and Employment

The over-all volume of trade through the Port of New York has not been greatly curtailed by the war, in comparison with the rest of the country. However, both ships and cargoes have been forced out of the normal and accustomed channels. The character of the cargoes moving through the port has radically altered. Exports are now almost entirely a specialized move-

ment of war materials to our armed forces overseas and to our allies. Imports are almost exclusively priority commodities. The major portion of this shipping is carried on under military or other government supervision. The result is a highly concentrated operation, centered at a few terminals handling specialized cargoes, which does not utilize either port labor or port facilities on as broad a scale as an equivalent volume of normal peace time shipping.

The most important remnant of commercial export trade is that with other American republics in the western hemisphere. This traffic has been seriously hampered by enemy submarine activity. In the spring of 1942, because of this hazard, federal authorities diverted to New Orleans and other Gulf of Mexico ports, shipping services normally plying between the Port of New York and the Caribbean, Central and South American ports. Commercial shipping activities at New York dropped to a record low and severe unemployment of longshore and other port labor resulted. At the same time, importers of vital materials and exporters to South and Central America, who normally utilize the Port of New York, reported long delays and extraordinary transportation difficulties.

The Port of New York Authority took the lead in presenting the problem at a joint conference with Admiral Land of the War Shipping Administration, Secretary Knox and Vice Admiral Horne of the U. S. Navy Department, General Somervell of the U. S. Army Services of Supply, and representatives of the Office of Defense Transportation and Board of Economic Warfare. The States of New York and New Jersey, the City of New York, maritime, labor and civic

groups, joined in urging full utilization of the idle equipment and manpower available at the Port of New York, consistent with military considerations. As a result of subsequent military reallocations, there was some improvement in the situation during the fall, followed, however, by a later recession. This experience illustrates the difficulties which will be encountered in obtaining the reallocation of adequate steamship services for the Port of New York after the war.

Gasoline and Fuel Oil Shortage

A critical problem in this area is the shortage of gasoline and fuel oil. In the spring of 1942, the Port Authority anticipated the severe hardship which would result to home owners and the possible hampering of the war effort through lack of fuel oil for industries, ship bunkering and other essential purposes. A constructive program was presented to the federal authorities in cooperation with the Committee of Atlantic Coast Mayors on Gasoline and Fuel Oil headed by Mayor Fiorello H. LaGuardia. Recommendations included the tapping of the midwest oil reserves and a more effective mobilization of available inland waterway and railroad tank car equipment. These latter proposals were favorably acted upon by the federal authorities. Due to the unfortunate lag in taking certain other necessary steps, such as midwest rationing of fuel oil and nationwide gasoline rationing, coupled with the necessity for draining east coast oil reserves for the North African campaign, the situation remained critical throughout the winter but shows signs of easing as spring approaches.

OPERATIONS

TRAFFIC on all Port Authority vehicular facilities—Holland and Lincoln Tunnels, George Washington Bridge, Goethals Bridge, Outerbridge Crossing and Bayonne Bridge—totalled 25,009,845 vehicles, as compared with 30,600,567 in 1941.

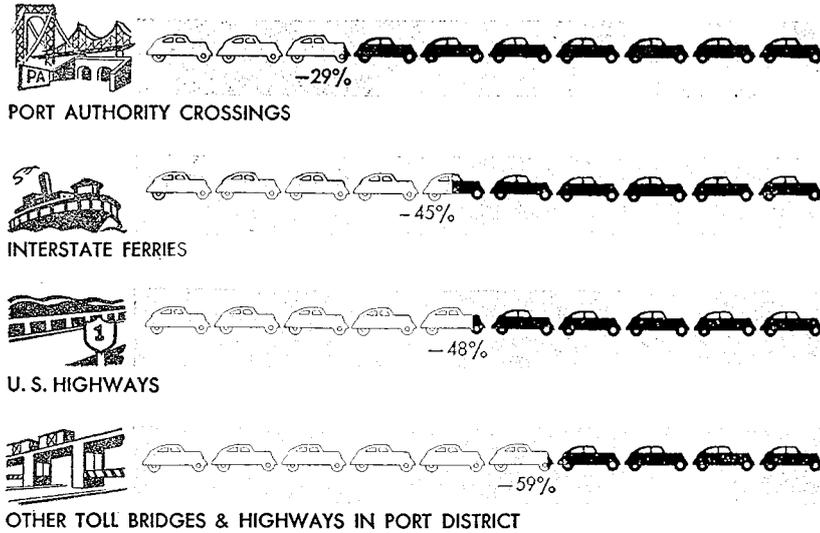
However, the 1942 total does not reflect the full impact of war conditions, since gasoline rationing was not introduced until May 15, 1942. In the seven and one-half months rationing period the traffic decline was 27.6%, whereas traffic for the whole year was only 18.3% less than 1941.

Throughout the rationing period, traffic losses on Port Authority crossings have been relatively less than the general motoring decline. In December, for example, when Port Authority traffic was off 29% motor travel was down 48% on state highways throughout the country.

Other toll bridges and toll highways in the port district suffered an average decline of 59%, and the interstate ferries in the district were down 45%. This showing reflects the comparatively heavy use of Port Authority facilities by essential motorists.

Clockings made in December showed that approximately

DECLINE IN VEHICULAR TRAFFIC



Each phantom car represents a shrinkage of 10% from December 1941 Traffic (passenger car, truck, bus, trailer, etc.) as compared with December 1942

60% of the motorists using the interstate bridges and tunnels were B and C book holders, whereas the general proportion of such ration books issued in the area was 43%.

The industrial space in the Port Authority Commerce Building was 100% occupied throughout the year. Total freight handled through the Inland Freight Station, including the Railway Express Agency premises, reached the highest volume since its inception, 248,668 tons.

Security Measures

Immediately after the outbreak of war, special steps were taken to protect the bridge and tunnel properties against sabotage. At the outset, an emergency schedule of traffic officers was established to cover special security posts at strategic locations. Subsequently, special auxiliary guards were hired to cover these posts. With the decline in vehicular traffic and the construction of physical security measures, it was possible to dispense with these auxiliary guards and assign members of the Port Authority police force, released from regular duties, to the security posts.

At all facilities there have been established air raid protection services coordinated with the New York City police and the New Jersey State Police alarm systems.

Special repair batteries have been organized in cooperation with the New York City Public Works Emergency Division of the Citizens Defense Corps. In compliance with military regulations for this area, the illumination of all bridges, plazas and buildings has been drastically reduced to eliminate sky glow.

All Port Authority vehicular facilities are presently covered by multi-risk insurance policies which insure against all hazards except direct acts of war. These policies include protection against civil commotion, vandalism, sabotage, malicious mischief, and include acts committed by an agent of any government, party or faction engaged in war, hostilities or other warlike operations, of armed forces (whether military, naval or air forces). The policies on the Hudson River crossings include insurance against loss of revenue in any of the foregoing eventualities. In all other respects, with a few minor exceptions, the Port Authority is a self-insurer.

Retrenchment Program

When war conditions indicated the imminence of a severe decline in traffic, a program of general retrenchment was inaugurated. This involved many changes in operating practises including reduction in the number of toll lanes in use, elimination of certain traffic posts; reduction in vacation allowances to all employees and assignment of those operating men working in shifts who were formerly on a five and a half day schedule to a six day week.

The 178th Street Tunnel connecting the George Washington Bridge with Amsterdam Avenue and the Harlem River Drive has been closed with resulting savings in manpower.

In general, vacancies created by resignations and men entering the armed forces have not been filled. The total number of employees was reduced from 1,110 on January 1, to 965 on December 31.

All but the most essential maintenance work has been curtailed with substantial payroll savings. Thus, wherever possible, spot painting only has been done instead of the complete schedule of bridge repainting normally followed.

Traffic Trends

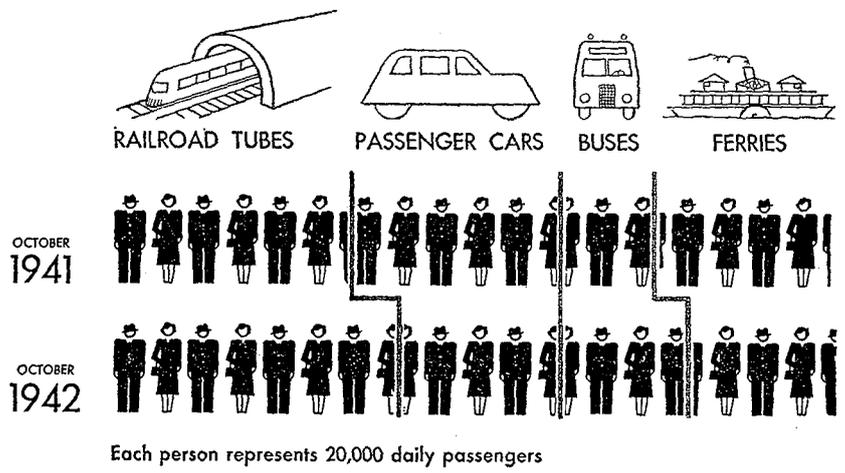
A striking feature of traffic during the past year was the elimination of the weekend peaks of pleasure car travel and the partial reversal of week day peak hours. In the past, the heavy commuter traffic moved into Manhattan in the morning and away in the early evening hours. The wartime peaks, in the opposite directions, are caused by the large-scale move-

ment of war workers from homes in various parts of New York City to factories west of the Hudson.

As a result of passenger travel stimulated by war industries, trans-Hudson traffic was greater in 1942 than in 1941, despite curtailed automobile usage. Checks made in October showed that 374,000 persons were travelling between New York and New Jersey daily, compared with a daily average of 365,000 in 1941. As automobile usage has gone down, rail and bus travel has increased.

Military vehicles of the U. S. Army, Navy, Marine Corps and Coast Guard were using Port Authority facilities at the rate of approximately 500,000 a year at the end of 1942.

HOW DAILY PASSENGERS CROSSED THE HUDSON



CONSTRUCTION

*A*LL construction contracts were awarded and work was continued during 1942 on the various structures necessary to complete the second (north) tube of the Lincoln Tunnel and the Manhattan approach.

The War Production Board originally directed the issuance of a priority rating under which the steel, ventilating fans, motors and other materials and equipment were obtained during the course of the year. However, delays in fabrication and delivery as a result of more pressing war orders, precluded the scheduled completion in 1942.

By the end of the year, it became apparent that the tube could not be opened for general public use in 1943, because of insuperable difficulties in obtaining certain electrical equipment for lighting and ventilation. Since, however, construction will probably be completed in all other respects in 1943, plans are now being studied by the Authority's engineers to make the tube available for limited use to essential civil and military traffic, in emergencies, by utilizing the power lines of the tube already in operation.

When completed the north tube will be used for westbound traffic only, and the south tube (now in operation as a two-way tunnel) will be used by traffic coming from New Jersey to New York. Traffic will enter the north tube through the new Manhattan approach which is now being constructed.

ADMINISTRATION

CHAIRMAN FRANK C. FERGUSON was reappointed by Governor Edison to serve his fifth term as a member of the Port Authority Commission. Governor Lehman designated Commissioner Eugene F. Moran, to fill the vacancy created by the death of Commissioner Alexander Shamberg, who had served continuously on the Holland Tunnel and Port Authority commissions since 1906.

In July, 1942, John E. Ramsey and Julius Henry Cohen, the two chief administrative officers of the Authority returned to private and professional pursuits. Mr. Ramsey, who had served on the staff of the Bi-State Port & Harbor Development Commission appointed in 1917, was a member of the Port Authority's staff since its inception and General Manager since 1926. Mr. Cohen had been the Authority's General Counsel since 1921, and previously was counsel to the Port and Harbor Development Commission.

Austin J. Tobin, formerly Assistant General Counsel of the Authority, was appointed Executive Director to succeed the General Manager. Leander I. Shelley, also formerly Assistant General Counsel, was appointed General Counsel.

Changes in Organization

Concomitantly with these staff appointments, other organizational changes were effectuated. The Bureau of Commerce of the Operating Department was abolished. In its stead, there was created the Department of Port Development headed by the former Chief of the Bureau of Commerce. The change will facilitate the work of planning and port development which is of great importance to the future economic well being of the Port of New York.

Many of the 122 Port Authority employees in the armed forces in 1942 are serving the nation in high military ranks. The Authority has followed a policy of granting all employees entering the military service, leaves of absence for the duration. In addition to receiving one month's severance pay, their rights in the New York State Retirement System are protected by the Port Authority.

As of the end of the year, the personnel numbered 965, of whom 737, or 77%, were engaged in the operation and maintenance of the six vehicular bridges and tunnels and the Port Authority Commerce Building.

Various members of the staff have executed special war assignments. The Chief Engineer served as Special Consultant to the Army and Navy Munitions Board in a survey of congested areas of war production. The Director of Operations is Chairman of the Metropolitan Defense Transport Committee. The Director of Port Development acted as consultant to the Office of Defense Transportation and to the War Production Board, Stockpiling and Transportation Division. The Assistant Traffic Manager served as consultant to a Subcommittee of the Petroleum Administration for War.

Personnel

Progress was made in further codifying Port Authority policy with respect to public employee relationships. During the year the clerical employees organized the Port Authority Associates, whose activities parallel those of the Port Authority Police Benevolent Association and the Port Authority Employees Association, which represent respectively the uniformed forces and maintenance group.

The Commissioners have at all times adhered to the principle that public employees have the right which is common to all employees in the industrial world to discuss and negotiate with their employers all matters of mutual concern through representatives of their own choosing. It has been this agency's policy to consult upon frequent occasions with employees' representatives who have likewise had ready and informal access to management for discussion of problems.

Opportunity for advancement within the ranks of the organization has been furnished by an in-service training program, conducted to prepare employees to fill more skilled positions. The Commission has, whenever possible, adopted the principle of filling vacancies by promotion within the organization. In the case of the majority of positions, vacancies are posted, and filled on the basis of free competition within the ranks. Wherever outside recruitment is necessary, the Personnel Director has carried out the Commission's policy of tapping such agencies, schools or institutions as will result in the selection of personnel of the highest calibre.

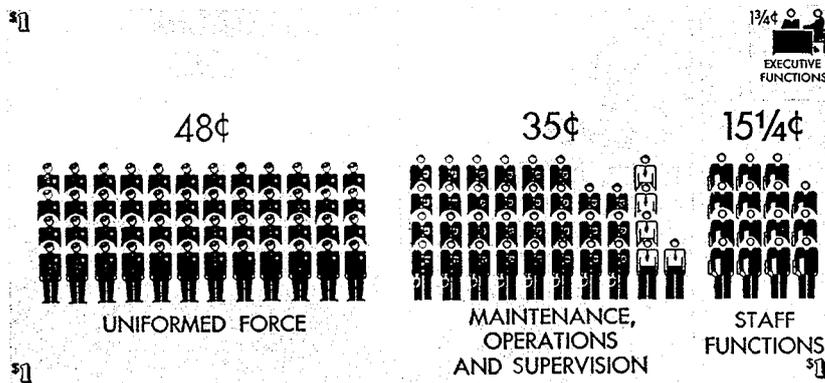
In previous years, the Commissioners adopted a policy under which permanent employees are assured of tenure during good behavior. This step was followed by a job classifica-

tion study completed for the Authority by the Municipal Service Bureau of the State of New York.

As in the past, the Port Authority continued its policy of liberal benefits to its employees. Apart from payments made under Workmens Compensation Insurance and for sick leave allowances, a total of \$266,105.42 was disbursed in 1942 for payments to the New York State Retirement System, special allowances to retired employees and allowances to employees on military leave.

In 1942 rules were promulgated governing the discharge and demotion of employees and other types of disciplinary action. These rules are somewhat broader and more detailed than the usual civil service regulations. They assure ample notice of charges in writing and an adequate opportunity to be heard with or without representation.

WHERE THE PORT AUTHORITY PAYROLL DOLLAR GOES



Of the Port Authority payroll dollar more than four-fifths is required to police, collect tolls and maintain the facilities; the balance pays for port planning, purchase activities, auditing, legal services and the like and executive functions.

FINANCIAL

THE Authority's net income for 1942 after operating expenses and interest amounted to \$7,173,191. A condensed financial summary in comparison with 1941 is shown on the next page.

The credit of the Authority withstood the impact of curtailed vehicular traffic for several reasons. Although *traffic* was down 18.3% for 1942 as compared with 1941, *revenues* from tolls were \$14,400,000, or 15.3%, under 1941, reflecting the fact that 37% of the Authority's 1942 gross toll revenues were obtained from bus and truck traffic. The General Reserve Fund, at the year's end, amounted to \$11,600,000. This Fund consisted of \$1,230,000 in cash; \$8,600,000 in U. S. Treasury Certificates, all of which mature February 1, 1944; and the balance in Port Authority bonds. Together with other reserves, the Port Authority had \$14,400,000 in liquid assets available for debt service.

The importance of the General Reserve Fund lies in the fact that it may be used to meet sinking fund requirements or interest payments, or both. In this connection, it may be noted that the Authority's 1940 Special Report to the New Jersey Joint Legislative Commission, appointed by a Senate (N. J.) Concurrent Resolution to study this agency's toll schedules, said: "the General Reserve Fund is in the nature of a savings account or reservoir for lean years. During the past depression, revenues declined 16%. If another depression is experienced and traffic declines at the same rate, the General Reserve Fund will be able to take up the slack in revenues."

The events of 1942 would appear to have amply confirmed the wisdom of this observation which was subsequently accepted by the New Jersey Joint Legislative Commission as an axiom of prudent management.

Financial Summary

	1942	1941	Per Cent Change
TOTAL TRAFFIC.....	25,009,845	30,600,567	18.3*
REVENUES			
—From Tolls.....	\$14,445,828	\$17,057,985	15.3*
—From Building Rents.....	1,446,275	1,367,824	5.7
—From Other Rentals (Power Ducts, etc.).....	33,901	29,189	11.6
TOTAL OPERATING REVENUES.....	\$15,926,004	\$18,454,998	13.7*
EXPENSES			
—For Operations, Maintenance, Administration.....	\$ 4,000,514	\$ 4,602,940	13.1*
NET REVENUES FROM OPERATIONS..	\$11,925,490	\$13,852,058	13.9*
OTHER INCOME			
—From Investments, Bank De- posits, and from Dwellings, etc., less Paying Agents, Registrars' Fees, etc.....	\$ 244,244	\$ 227,550	7.3
INCOME BEFORE INTEREST.....	\$12,169,734	\$14,079,608	13.6*
INTEREST			
—Paid to Bondholders.....	\$ 4,996,543	\$ 5,339,477	6.4*
NET INCOME.....	\$ 7,173,191	\$ 8,740,131	17.9*
*Denotes Decrease			
THE NET INCOME WAS DISTRIBUTED:			
—To the General Reserve.....	\$ 4,744,686	\$ 1,266,878	
—To the Insurance Reserve.....	40,703	1,025,119	
—To the General & Refunding Bond Sinking Fund Reserves	1,587,802	4,634,076	
—To Retire Series G Bonds.....	800,000	797,123	
—To Property Additions.....	.....	1,016,935	
TOTAL.....	\$ 7,173,191	\$ 8,740,131	

Future Outlook

The major revenue producers in terms of dollars in 1942 were the Holland Tunnel, which accounted for 40% of gross revenues, and the George Washington Bridge, which accounted for 26%. The Lincoln Tunnel produced 17% of the gross revenues, and the Staten Island Bridges 5½%.

The Commission has adopted the policy of curtailing expenses wherever possible. At the year's end economies amounting to \$720,000 annually had been effected. There will also be an annual increment of \$154,000 in toll revenues resulting from a reclassification of three axle trucks. The fact that 63% of the 1942 gross toll revenues were derived from passenger cars must be interpreted with a note of caution for the future: the full impact of the OPA ban on pleasure car driving did not occur until January, 1943. However, the effect of this and other probable restrictions has been discounted in estimating how the agency will meet its obligations in 1943.

Taking as a base the revenue figures for 1941, the last year of normal operations, if 1943 traffic drops 40%, the Port Authority should end the year 1943 with \$750,000 over all operating expenses and debt service, available for transfer to the General Reserve Fund, bringing it up to a total of \$12,350,000. This sum would be possible only because \$1,900,000 of the 1943 sinking fund requirements have been prepaid. If, on the other hand, conditions cause a 50% decline in traffic, it would be necessary to withdraw one million dollars from the General Reserve Fund to meet all 1943 requirements.

Tax Immunity

A recurring threat to the future of state and local government is the proposal of the United States Treasury Department to tax the interest on state and municipal bonds. A federal income tax on the interest derived from municipal bonds will also retard future public improvements by necessitating higher interest rates to attract the investor to all types of municipal bonds. Having long seen the dangers to state and local government, as well as to such self-liquidating ventures as this agency, the Commissioners of the Port Authority have taken an active part in opposing the proposed tax, in cooperation with the Conference on State Defense, a group of state and local officials from all parts of the country, pledged to uphold the tax immunity of state and municipal bonds. The proposal has been consistently defeated in the past four years.

In 1942, the House Ways and Means Committee refused to vote out a measure to tax state and local bonds, and later in the year the Senate decisively defeated a similar measure. The issue will be adjudicated in *Shamberg v. Commissioner of Internal Revenue*. This test case, involving a suit against a holder of Port Authority bonds, will be heard on April 19, 1943, by the United States Tax Court sitting in New York City. A similar action to tax the interest on the bonds of the Triborough Bridge Authority will be tried at the same time. In the ordinary course the case will be reviewed by the Circuit Court of Appeals. In any event, it is doubtful whether the issue will be finally resolved by the United States Supreme Court much before the fall of 1944.

Traffic

Calendar Year 1942

Class	Total	Per Cent	Holland Tunnel	Lincoln Tunnel	George Washington Bridge	Staten Island Bridges
Passenger Automobiles	18,607,150	74.4	8,366,557	2,525,003	5,976,245	1,739,345
Buses	2,021,860	8.1	278,038	1,015,745	681,499	46,578
Trucks	4,356,150	17.4	2,631,330	689,150	717,322	318,348
Motorcycles, etc.	24,685	.1	9,824	4,706	6,594	3,561
TOTAL	25,009,845	100.0	11,285,749	4,234,604	7,381,660	2,107,832

Toll Revenue

Calendar Year 1942

Class	Total	Per Cent	Holland Tunnel	Lincoln Tunnel	George Washington Bridge	Staten Island Bridges
Passenger Automobiles	\$ 9,081,537.24	62.9	\$4,177,423.85	\$1,260,947.91	\$2,986,616.37	\$656,549.11
Buses	1,996,350.40	13.8	256,303.50	1,015,705.40	681,487.60	42,853.90
Trucks	3,360,939.66	23.3	2,077,927.02	490,630.07	587,796.78	204,585.79
Motorcycles, etc.	7,000.85	—	2,733.67	1,176.20	2,094.45	996.53
TOTAL	\$14,445,828.15	100.0	\$6,514,388.04	\$2,768,459.58	\$4,257,995.20	\$904,985.33

Comparison of Net Revenues

	Calendar Year, 1942		Calendar Year, 1941		Increase or Decrease*	
	Amount	Per Cent	Amount	Per Cent	Amount	Per Cent
I. OPERATING REVENUE AND INCOME						
Passenger Cars	\$ 9,081,537.24	56.2	\$11,840,231.16	63.3	\$2,758,693.92*	23.3*
Buses	1,996,350.40	12.3	1,799,193.40	9.6	197,157.00	11.0
Trucks	3,360,939.66	20.8	3,412,325.89	18.3	51,386.23*	1.5*
Motorcycles	7,000.85	—	6,234.36	—	766.49	12.3
Rents, P. A. Commerce Bldg., etc.	1,446,274.79	8.9	1,367,824.00	7.3	78,450.79	5.7
Interest on Investments, etc.	298,577.08	1.8	285,832.06	1.5	12,745.02	4.5
Total	\$16,190,680.02	100.0	\$18,711,640.87	100.0	\$2,520,960.85*	13.5*
II. DEDUCTIONS						
Operating Expenses	\$ 4,000,513.71	44.4	\$ 4,602,939.59	46.2	\$ 602,425.88*	13.1*
Interest on Funded Debt	4,996,542.94	55.4	5,339,476.76	53.5	342,933.82*	6.4*
Other Income Charges	20,431.90	.2	29,093.20	.3	8,661.30*	29.8*
TOTAL	\$ 9,017,488.55	100.0	\$ 9,971,509.55	100.0	\$ 954,021.00*	9.6*
NET REVENUES	\$ 7,173,191.47	—	\$ 8,740,131.32	—	\$1,566,939.85*	17.9*

*Denotes Decrease

PORT AUTHORITY PUBLICATIONS

Because of the war, distribution of all Port Authority publications is restricted to government agencies or persons engaged in transportation activities related to the war effort.

Staff publications during the year included the following:

Inland Terminal No. 2—Union Motor Truck Terminal, February 14, 1942.

Regional Defense Transport Plans for the New York Metropolitan Area, May 12, 1942.

Capacity of the Port of New York to Handle Truck-Hauled Freight at Shiplside, July 10, 1942.

Memorandum on Plan for Conserving Trucks, Tires and Gasoline and Maintaining General Trucking Service in the Port of New York District, July 15, 1942.

Port of New York Overseas Shipping and Trade Facilities, September 17, 1942.

Capacity of the Port of New York to Handle Eastbound Overseas Freight, September 22, 1942.

Control of Motor Freight Movements to the New York Port of Embarkation—September 23, 1942.

The Port of New York—General Analysis of the Port Situation—December 30, 1942.

List of Piers Capable of Berthing Deep Sea Ships at the Port of New York.

ARTHUR ANDERSEN & CO.

67 WALL STREET
NEW YORK

Auditors' Report

TO THE PORT OF NEW YORK AUTHORITY,
New York, N. Y.:

We have examined the balance sheet of The Port of New York Authority as of December 31, 1942 and the statement of net revenues and appropriations thereof and summary of reserves for the year then ended. In connection therewith we have reviewed the system of internal control and the accounting procedures of the Authority and have examined or tested accounting records and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and it included all procedures which we considered necessary. Test checks were made of cash received from revenues and other sources and the disbursements made therefrom to determine that such revenues and disbursements were properly accounted for. Although we made numerous test checks of other transactions during the period as outlined in more detail in the following paragraph, we did not make a detailed audit of all of the transactions.

Additions to facilities during the period consisted of expenditures for the construction of the North tube of the Lincoln Tunnel and included general and administrative overheads and interest capitalized in the amounts of \$63,112.76 and \$659,349.48 respectively, and bond discount and expense totaling \$53,085.00 relative to the issuance and sale of \$5,000,000 principal amount of bonds for construction purposes. Payments on construction contracts during the period were checked to vouchers and to authorizations of the Commissioners. Other construction expenditures were examined through test checks of vouchers for materials, pay rolls for labor charges and of the amounts distributed to construction accounts as interest during construction and engineering and general overhead costs. Cash and securities, including funded debt of the Authority held in its various

funds or pledged as collateral to General and Refunding Bonds, were checked by confirmations received directly from the depositaries or holders thereof or by count. Funded debt issued has been checked to resolutions of the Commissioners authorizing such issues and funded debt retired has been verified through examination of cremation certificates; there are no trustees of the various issues of funded debt. Amounts due to the States of New York and New Jersey were confirmed by correspondence with officials of the respective states. In so far as we were able to determine within the scope of our examination and as represented to us by the management, all liabilities of the Authority at December 31, 1942 are reflected in the accompanying balance sheet, and contingent liabilities and commitments are set forth in Notes 1 and 3 thereto.

The Port of New York Authority was created in 1921 by compact between the States of New York and New Jersey with the approval of Congress. The Authority has no stockholders or equity holders and all revenues or other cash received has to be disbursed for specific purposes in accordance with statutory provisions and agreements with the holders of its bonds. In accordance with such statutory provisions and bondholders' agreements, no deduction from revenue may be made for depreciation (except on ancillary equipment). The Authority, effective January 1, 1941 discontinued the practice of providing for depreciation on ancillary equipment. In accordance with resolutions of the Commissioners, the Authority has followed the practice of charging to the investments in facilities all net debt discount and expense incurred in connection with bonds and notes issued for construction purposes and no provision is made for the amortization of such debt discount and expense, which aggregated \$3,504,030.82 at December 31, 1942. In prior years \$1,879,829.47 of interest on bonds, net of income earned on unexpended construction funds, was charged to the investment in certain facilities after the dates of official opening thereof, of which \$340,000.00 was in accordance with the contract with the bondholders of Inland Terminal No. 1 bonds. In the opinion of its General Counsel, the Authority is not subject to either Federal, state or local taxes; the Authority, however, is authorized by law to enter into voluntary agreements to pay a fair annual sum in lieu of taxes in connection with its marine and inland terminals. Under the terms of an agree-

ment with the City of New York dated February 15, 1941 the Authority is obligated to make annual payments of \$60,064.10 in lieu of taxes in connection with Inland Terminal No. 1 and provision has been made for such payment in the accompanying financial statements. Accordingly, the statement of net revenues includes no deductions for depreciation, amortization, or taxes except as indicated above, and the amount of net revenue is appropriated for or allocated to various reserves for the benefit of bondholders in accordance with the agreements with such bondholders. The accumulated net revenues, as above defined, to December 31, 1942 are shown in the accompanying balance sheet under reserves which also indicates the various reserves and other purposes for which such net revenues have been reserved or used.

Prior to June 30, 1941, the liability for pensions accrued at date of entering the New York State Employees' Retirement System in April, 1935 was being charged to expense over a thirty-year period. During 1941, the Authority initiated a program to provide a fund over a twenty-four month period which, with interest at 3%, would have been sufficient to meet the estimated remaining liability of \$3,654,230 for periods subsequent to June 30, 1941. To this end charges to expense totaling \$815,550.08 were made from May 1 to December 31, 1941. Payments into the fund were discontinued as of January 1, 1942 but interest on the securities in the fund was credited directly to the reserve account. At that date the thirty-year plan of amortization was readopted for an indefinite period, with a consequent decrease in accruals for the year 1942 of \$1,073,809.22 under that which would have been otherwise applicable.

In our opinion, the accompanying balance sheet (Exhibit 1), the statement of net revenues and appropriations thereof (Exhibit 2) and summary of reserves (Exhibit 3) present fairly the assets and liabilities of The Port of New York Authority at December 31, 1942 and its revenues and expenditures for the year then ended, on the basis of the accounting policies set forth in paragraphs three and four above.

ARTHUR ANDERSEN & CO.

New York, N. Y.,
February 5, 1943.

THE PORT OF NEW YORK AUTHORITY

Balance

ASSETS

EXPENDITURES FOR FACILITIES (Including all net debt discount and expense incurred in connection with bonds and notes issued for construction purposes, aggregating \$3,504,030.82, and \$1,879,829.47 of interest charged to the investment in certain facilities after the dates of official opening thereof)				\$235,518,642.84
SPECIAL FUNDS:				
Balance of proceeds from sales of bonds and miscellaneous funds available for construction purposes				
—cash in banks.....	\$ 2,679,693.26			
Sinking funds—cash in banks.....		302,452.35		
Employees' retirement system deficiency fund (see Note 3):				
Cash in bank	\$ 239,473.82			
Investment in bonds of The Port of New York Authority, at cost (\$585,000 principal amount)—quoted market value \$575,375.00.....	596,983.90			
Accrued interest receivable	5,490.63	841,948.35		
Insurance fund:				
Cash in bank	\$ 202,250.30			
Investment in U. S. Treasury Certificates of Indebtedness, 7/8%, due December 1, 1943, at cost (\$1,000,000 principal amount)—quoted market value \$1,000,222.53.....		1,000,000.00		
Investment in bonds of The Port of New York Authority, at cost (\$137,000 principal amount)—quoted market value \$132,205.00.....	136,975.00			
Mortgage receivable.....	182,400.00			
Prepaid insurance.....	375,936.96			
Other assets (net).....	12,400.99	1,909,963.25	5,734,057.21	
CURRENT ASSETS AVAILABLE FOR DEBT SERVICE AND GENERAL CORPORATE PURPOSES:				
Cash in banks and on hand.....	\$ 2,686,654.08			
Investment in securities:				
The Port of New York Authority bonds, at cost (\$1,743,000 principal amount)—quoted market value \$1,687,020.00.....	\$1,767,871.77			
U. S. Treasury Certificates of Indebtedness, 7/8%, due December 1, 1943, at cost (\$8,600,000 principal amount) — quoted market value \$8,601,913.71.....	8,600,000.00	10,367,871.77		
Accounts and accrued interest receivable.....		78,272.50	13,132,798.35	
OTHER ASSETS AND MISCELLANEOUS UNADJUSTED ITEMS:				
Deposits with paying agents for unredeemed bonds and interest coupons.....	\$ 209,143.75			
Mortgages receivable and miscellaneous investments.....	13,144.29			
Miscellaneous unadjusted items.....	7,808.04		230,096.08	
			\$254,615,594.48	

The accompanying notes are an

LIABILITIES

FUNDED DEBT (Schedule 1)		\$182,980,000.00
SUBORDINATED LIABILITY FOR ADVANCES FROM THE STATES OF NEW YORK AND NEW JERSEY IN AID OF CONSTRUCTION AND FOR PRELIMINARY STUDIES AND SURVEYS (See Note 2)		8,599,840.17
CURRENT LIABILITIES:		
Accounts payable	\$ 236,850.02	
Accrued interest on funded debt	837,411.05	
Accrued liability for contribution to employees' retirement system	359,756.82	
Liability in lieu of taxes	30,064.10	
Unredeemed tickets, miscellaneous deposits, etc.	178,913.61	
		<u>1,642,995.60</u>
DEFERRED LIABILITIES AND MISCELLANEOUS RESERVE:		
Unredeemed bonds and interest coupons	\$ 209,163.75	
Employees' retirement system deficiency reserve (See Note 3)	841,948.35	
		<u>1,051,112.10</u>
RESERVES AND UNAPPROPRIATED NET REVENUES (See paragraphs 3 and 4 of auditors' report)—(Exhibit 3):		
Sinking fund reserves	\$ 302,452.35	
General reserve	11,616,491.67	
Insurance reserve (See Note 4)	1,909,963.25	
Reserves applied to retirement of debt, payment of debt service, etc., less deficit accounts of certain facilities and debt refunding expenses	35,652,327.49	
		<u>49,481,234.76</u>
FEDERAL AND STATE GRANTS FOR CONSTRUCTION AND COMPROMISE DISCOUNT ON STATE AID SETTLEMENTS		10,860,411.85
CONTINGENT LIABILITIES AND CONSTRUCTION COMMITMENTS (See Note 1)		
		<u>\$254,615,594.48</u>

Integral part of this balance sheet.

THE PORT OF NEW YORK AUTHORITY

EXHIBIT 1—Continued

CONTINGENT LIABILITIES REPORTED AND OTHER NOTES

(1) Contingent liabilities and construction commitments at December 31, 1942 as reported by the management, were as follows:	
(a) Construction contracts awarded, less payments made and liabilities recorded to cover work performed to and including December 31, 1942	\$ 945,000
(b) Contingent liabilities relative to acquisition of certain easements, payable if and when the owners of the properties elect to have certain construction work performed—not to exceed.....	558,000
(c) Pending lawsuits (substantially covered by insurance or indemnity agreements).....	115,000
(d) Estimated obligation to indemnify certain contractors for New York City Sales Tax in connection with certain construction contracts in the event that such taxes are imposed and upheld.....	16,000
(e) Estimated cost of construction of certain highway connections and paving work, etc., relative to New Jersey approaches to the Lincoln Tunnel.....	500,000
(f) Estimated commitment in connection with proposed construction by The City of New York of a protective pier over the Lincoln Tunnel	600,000
(g) Estimated cost of construction of the 179th Street Tunnel in connection with the George Washington Bridge which the Authority is obligated to undertake under agreements with The City of New York. The Authority is obligated to build this tunnel when traffic through the 178th Street Tunnel, which was completed in June, 1940, exceeds six million vehicles in a twelve months' period. In the opinion of the management, it is unlikely that traffic through the 178th Street Tunnel will reach the aforementioned volume until after a long period of years.....	3,100,000
	<u>\$5,834,000</u>

Note: In addition to amounts included above, it is estimated by the Authority as of December 31, 1942, that the cost to complete the North tube of the Lincoln Tunnel will approximate \$2,350,000.

- (2) The subordinated liability for advances in aid of construction and for preliminary studies and surveys includes \$8,299,918.20 representing advances made in connection with the Arthur Kill and Bayonne Bridges which are not repayable until the earnings of such projects have been sufficient to pay interest, sinking fund and statutory reserve requirements; earnings to date of the Arthur Kill and Bayonne Bridges have not been sufficient to pay bond interest. The balance of \$299,921.97 in this account represents advances for preliminary studies and surveys in connection with the George Washington Bridge which are not required to be paid until all bonds issued for the construction of such facility have been retired out of the revenues of the facility.
- (3) Prior to June 30, 1941, the liability for pensions accrued at date of entering the New York State Employees' Retirement System in April, 1935, was being charged to expense over a thirty-year period. During 1941, the Authority initiated a program to provide a fund over a twenty-four month period which, with interest at 3%, would have been sufficient to meet the estimated remaining liability of \$3,654,230 for periods subsequent to June 30, 1941. To this end charges to expense totaling \$815,550.08 were made from May 1 to December 31, 1941. Payments into the fund were discontinued as of January 1, 1942, the fund being stabilized at its balance at that date and the thirty-year plan readopted for an indefinite period, with a consequent decrease in the accrual for the current year of \$1,073,809.22.
- (4) In accordance with the approval of the Commissioners, the Authority at December 31, 1942, was self-insurer except for the following insurance coverage carried with outside insurers:
1. Multi-risk insurance on all bridge and tunnel facilities.
 2. Gross revenue insurance on the Holland and Lincoln Tunnels and George Washington Bridge.
 3. Fire insurance on Inland Terminal No. 1 (Port Authority Commerce Building).
 4. Excess public liability insurance.
 5. Officers and employees fidelity bonds.

In the opinion of the General Claim Agent of the Authority, the insurance reserve at December 31, 1942, is adequate to cover the reasonable requirements in connection with all types of insurable risks in respect of which the Authority is self-insurer.

The Authority carries no war-risk insurance on its facilities.

EXHIBIT 1—SCHEDULE 1
THE PORT OF NEW YORK AUTHORITY
Statement of Funded Debt—December 31, 1942

	Amount Authorized (Less Principal Amount Retired)	AMOUNT OUTSTANDING AT DECEMBER 31, 1942		
		Held by the Public	Held in Funds of the Port of New York Authority	Total
SPECIAL REFUNDING BONDS, SERIES G—1.10% serial bonds due 1943-1945 (\$800,000 due October 1, 1943).....	\$ 2,400,000.00	\$ 2,400,000.00	\$.....	\$ 2,400,000.00
GENERAL AND REFUNDING BONDS (See Note 1):				
Third Series, 3½%, due 1976.....	13,865,000.00	13,865,000.00	.....	13,865,000.00
Fourth Series, 3%, due 1976.....	82,500,000.00	75,307,000.00	278,000.00	75,585,000.00
Fifth Series, 3¼%, due 1977 (See Notes 2 and 3).....	49,294,000.00	43,507,000.00	635,000.00	44,142,000.00
Sixth Series, 3%, due 1975 (See Note 3).....	46,988,000.00	45,436,000.00	1,552,000.00	46,988,000.00
Total funded debt.....		\$180,515,000.00	\$2,465,000.00	\$182,980,000.00

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NOTES:

- (1) At December 31, 1942, there was pledged as collateral to the General and Refunding Bonds \$56,715,000 principal amount of New York-New Jersey Interstate Bridge Bonds, of which \$20,000 represents bonds unredeemed, funds for the payment of which have been deposited with the paying agent.
- (2) On January 22, 1942, the Commissioners authorized the issuance of an additional \$10,000,000 principal amount of General and Refunding Bonds, Fifth Series, to provide funds for Lincoln Tunnel construction purposes, and further authorized the sale of up to \$5,000,000 principal amount of these Bonds to public officers or bodies. The sale of \$5,000,000 principal amount of Fifth Series Bonds was consummated in March, 1942.
- (3) Sinking fund payments due within one year from December 31, 1942, are as follows:

General and Refunding Bonds, Fifth Series.....	\$ 758,661.59
General and Refunding Bonds, Sixth Series.....	921,811.46
	<u>\$1,680,473.05</u>

THE PORT OF NEW YORK AUTHORITY

EXHIBIT 2
THE PORT OF NEW YORK AUTHORITY
Statement of Net Revenues and Appropriations Thereof for the
Year Ended December 31, 1942

GROSS OPERATING REVENUES:		
Vehicular tolls from bridge and tunnel facilities.....		\$14,445,828.15
Rental income—		
From tenants.....	1,360,395.79	
From The Port of New York Authority.....	85,879.00	
Miscellaneous.....	33,901.10	
Total gross operating revenues.....		\$15,926,004.04
OPERATING EXPENSES.....		4,000,513.71
Net operating revenues.....		\$11,925,490.33
OTHER INCOME, LESS OTHER DEDUCTIONS.....		244,244.08
Total.....		\$12,169,734.41
INTEREST ON FUNDED DEBT (Less \$659,349.48 charged to the cost of construction of the North tube of the Lincoln Tunnel).....		4,996,542.94
Net revenues available for sinking fund reserves, for retirement of debt and for other appropriations in accordance with statutory requirements and agreements with bondholders (see paragraphs 3 and 4 of auditors' report).....		\$ 7,173,191.47
APPROPRIATIONS AND ALLOCATIONS OF NET REVENUES:		
To sinking fund reserves—		
General and Refunding Bonds, 5th Series.....	\$704,584.55	
General and Refunding Bonds, 6th Series.....	883,218.29	
		\$ 1,587,802.84
To general reserve.....		5,544,686.00
To insurance reserve, representing interest income from securities held in insurance fund.....		40,702.63
Net revenues transferred to reserve accounts (Exhibit 3).....		\$ 7,173,191.47

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EXHIBIT 3

THE PORT OF NEW YORK AUTHORITY

Summary of Reserves for the Year Ended December 31, 1942

PARTICULARS	Total	Sinking Fund Reserves	General Reserve	Insurance Reserve	Reserves Applied to Retirement of Debt, Payment of Debt Service, Etc., Less Deficit Accounts of Certain Facilities and Debt Refunding Expenses
Balance, December 31, 1941.....	\$42,262,752.46	\$ 986,171.72	\$ 6,871,805.67	\$ 1,823,447.58	\$32,581,327.49
Appropriated net revenues for the year ended December 31, 1942 (Exhibit 2).....	7,173,191.47	1,587,802.84	5,544,686.00	40,702.63	.....
Funded debt retired:					
General and Refunding Bonds, 5th Series, 3¼%, due 1977.....		704,052.00	.....	.....	704,052.00
Excess of principal amount of 5th Series bonds retired through sinking fund (\$706,000.00) over cost.....	1,948.00	.....	.....	.....	1,948.00
General and Refunding Bonds, 6th Series, 3%, due 1975.....		1,567,470.21	.....	.....	1,567,470.21
Net excess of cost of 6th Series bonds retired through sinking fund over principal amount (\$1,565,000.00).....	2,470.21	.....	.....	.....	2,470.21
Appropriation for retirement through sinking fund of \$800,000.00 principal amount of Series G Bonds, 1.10%, matured October 1, 1942.....		.....	800,000.00	.....	800,000.00
Excess of self-insurance premiums (\$68,591.89) over certain expenses and claims paid (\$18,566.89) for the year ended December 31, 1942.....	50,025.00	.....	.....	50,025.00	.....
Adjustment for insurance premiums accrued at December 31, 1941.....	4,211.96	.....	.....	4,211.96	.....
Balance, December 31, 1942 (Exhibit 1).....	\$49,481,234.76	\$ 302,452.35	\$11,616,491.67	\$ 1,909,963.25	\$35,652,327.49

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