

THE PORT OF NEW YORK AUTHORITY

COMMISSIONERS—NEW JERSEY
FRANK C. FERGUSON, CHAIRMAN
JOSEPH M. BYRNE, JR.
JOHN BORG
RAYMOND M. GREER
FRANK DORSEY
ARTHUR WALSH

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

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Annual Report

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THE PORT OF NEW YORK AUTHORITY

111 Eighth Avenue at 15th Street New York, N.Y.

*To the Honorable Walter E. Edge, Governor, and the
Legislature of the State of New Jersey:*

*To the Honorable Thomas E. Dewey, Governor, and the
Legislature of the State of New York:*

ALTHOUGH it is impossible to forecast when peace will come, it is already evident that the prospects for the Port of New York after the war are promising. Estimates by the United States Department of Commerce of the nation's post-war exports, if the domestic economy is functioning at capacity, run as high as seven billion dollars annually, thirty per cent more than the peak level of 1929. In the pattern of future world trade, New York has an opportunity for progress rather than stagnation.

If the war in Europe terminates before the Pacific war, normal shipping operations will be resumed first in the Atlantic. The Port of New York is the natural outlet for shipments to Europe, South America and Africa. American exports will probably supply approximately one-fourth of the world's population with food, essential consumer goods,

and the materials of economic rehabilitation, in the immediate post-war period.

In addition to the sea-borne trade which will flow through New York, the port should also handle a large proportion of future air traffic. Logic dictates that major air routes must make their principal terminals in this district, which taps the nation's largest reservoir of cargo and passengers, where the prior development of a vast transport network permits swift and ready interchange between air, rail, ship and motor-truck carriers. Residents of the Port District and its tributary areas have, in the past, constituted the preponderance of American travelers abroad, and are likely to be the chief users of the overseas air services of the future.

Port Commerce Promotion

If this great metropolitan community is to enjoy the full measure of its potential commerce, it must dwell in unity; it must continue to surmount the difficulties of political partition, to see beyond the limitations of sectionalism.

Although the separate municipalities of the area abound in civic enterprise and leadership, efforts have been diffuse, and individual communities have failed to capitalize upon the over-all advantages of the region which should accrue to all. Competing outports have frequently done a far better job of port promotion.

The Port of New York District is the center of the nation's wholesale trade, finance, recreation and business management. A resident population of eleven million provides an annual retail purchasing power of more than four

billion dollars. Unequaled transport and distribution services, industrial sites on deep water, abundance of skilled labor are among the many advantages of the area as a location for factory and office. If adequately advertised, and not merely taken for granted as in the past, these factors should attract a large volume of new industry and commerce to the port area.

The need for a unifying agency, spanning the state line, led to the creation of the Port Authority in 1921. Insofar as the task of unification was a physical one, much progress has been made. The geographically separated sections of the district have been linked together by the Holland Tunnel, George Washington Bridge, Lincoln Tunnel, Union Inland Freight Station and the Staten Island-New Jersey Bridges. These facilities have proved their worth in wartime.

On the other hand, the unification of port promotional efforts had just been initiated when war broke out. At that time a port trade advisory board had been established, including representatives of leading transportation and civic agencies on both sides of the Hudson. A port-wide cooperative trade promotion program was launched under the sponsorship of this agency in 1941. It is not too early to look forward to the resumption of the port promotion program which was interrupted by the war.

Already, during the past year, there has been a healthy resurgence of the spirit of civic and commercial enterprise in this area. In the thriving industrial communities of New Jersey which are contributing so impressively to the nation's war production, new and important potentialities for peacetime commerce have been developed and expanded. A net gain of more than nine hundred new industries, notably

those readily adapted to consumer goods production, is reported during the past year in New York City.

The New Jersey Council, several municipal industrial commissions and the recently expanded New York State Department of Commerce are engaged in stimulating industrial prosperity in the metropolitan area. The Mayor of New York City, the industrial, labor and civic leaders joined together as his Business Advisory Committee, and leading metropolitan newspapers are carrying on trade promotion activities which have already produced results.

As your port agency, the Authority, in cooperation with these and other groups, will render such service to domestic and foreign shippers as will aid in routing commerce through the Port of New York. Shippers, business men and manufacturers in all parts of this country and abroad, will be kept informed of the manifold advantages of the Port of New York, both as a transportation center and as a business location.

Increased Terminal Efficiency

To maintain the Port of New York as a crossroads of world trade, requires not only sound commerce promotion but also the most modern equipment. The Port District must be an economical and efficient place for business and living. During the past year this agency has been able to resume a program of port planning and port development. For this purpose, which is ever the first duty of the Port Authority, we have augmented the staff of our Department of Port Development by a group of trade and transportation specialists.

They are engaged in analyzing the technological developments in transportation which have been accelerated by the war; in appraising the trade channels of the post-war world; in estimating the port's future volume of commerce; and in planning the facilities required to exploit fully the port's potentialities. The projects under study include a series of union motor-truck terminals in New York and New Jersey, union bus terminals in Manhattan, bulk commodity terminals in New Jersey and an improved suburban transit system for Northern New Jersey. At the request of a special committee of state department heads, appointed by Governor Dewey, we have also formulated plans for the efficient development of the state grain elevator and barge canal terminals in the harbor area.

At the end of 1943, this agency made renewed efforts to secure the necessary materials for immediate construction of the first of the proposed union motor-truck terminals. This facility would expedite the vital flow of motor-truck shipments to and through this area, and would make possible an estimated saving of 1,830,000 truck miles annually.

Regional Interdependence

Together with a revival of peacetime commerce and industry should come a national upsurge in vacation travel. The first opportunity for millions to enjoy hard-earned leisure will release a considerable amount of purchasing power for recreational spending. The traditional American urge to move from place to place, — to go places and see things, — will find expression in an unprecedented mobility.

The result will be not only a demand for the many types of recreation in which New York abounds. The district will benefit also as a port of embarkation for cruise passengers. Because of its geographic location at the crossroads of north and south travel by land and air, an unprecedented flow of rail and highway traffic may be anticipated.

An important area of future recreational development is the New Jersey shore. Two decades ago Long Branch, Asbury Park, Ocean Grove and the other New Jersey coast towns attracted thousands from the metropolitan area. In the intervening years, failure to keep pace with modern recreational requirements, and inadequate rail and highway connections, have caused an economic regression in this region despite its manifold advantages.

A full development of the recreational potentialities of the New Jersey shore should be undertaken after the war in conjunction with a program of highway construction to serve the area. Provision should be made for complete and up-to-date recreational facilities of all kinds. Destruction of beaches by erosion must be halted, breakwaters constructed where needed. This will require comprehensive, coordinated planning encompassing the development of a vast playground from Sandy Hook to Barnegat Bay.

The future development of the beach resorts will depend in large measure upon completion of highway routes not only in Monmouth, but in Bergen, Union, Passaic and Essex Counties. Conversely, although the beaches lie in rural New Jersey, it is the people of industrial cities in the northern sections of the state and in New York, who will enjoy the recreational facilities there available, if ready access to them is provided. The Port Authority is in a position to view such

problems with objectivity. If the self-liquidating nature of our operation limits our scope in the fields of constructing and operating terminal and transportation improvements, our thinking and planning will not be so limited. Our planning for this region will be shaped with all due regard for the interdependence of the several parts which, as a whole, make this the world's premier port.

We are at all times deeply aware that, in creating the Port Authority, New Jersey and New York 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. We are charged with that high mandate. Let it be an incentive to plan for the future welfare of our men returned home, at the war's conclusion.

Respectfully submitted,

F. P. Ferguson
CHAIRMAN

Donald J. Green
VICE-CHAIRMAN

Samuel R. ...

William J. ...

John ...

Richard ...

W. M. Green

Charles ...

Dean ...

Frank ...

Arthur ...

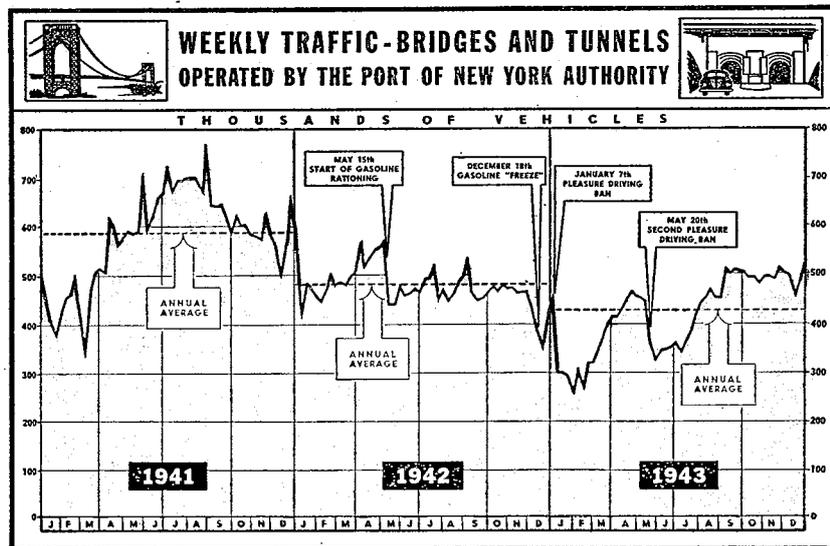
Eugene ...

April 1, 1944 • New York, N. Y.

TWENTY-THIRD ANNUAL REPORT THE PORT OF NEW YORK AUTHORITY

OPERATIONS

OUTSTANDING in the operation of vehicular bridges and tunnels during 1943 was the fact that gasoline and rubber shortages made it impossible to predict with any certainty, the traffic pattern for the year. Although it seemed probable that the first three months of the year would result in a weekly traffic level of approximately 300,000 cars, the actual weekly average was 326,000 vehicles in that period, notwithstanding that during these months the first pleasure-driving ban, imposed in January, was in effect. With the



lifting of the pleasure ban in the early part of March, traffic rose sharply and continued its upward climb.

The inauguration of the second ban on pleasure driving in May caused another, but less severe decline in traffic, which continued until the lifting of the ban in September. At that point traffic rose sharply, and in the last four months of the year, averaged 500,000 vehicles weekly. The exceptional strength of traffic during the last quarter of the year overcame the loss of approximately 1,500,000 cars suffered by reason of the two pleasure-driving bans. Traffic for 1943 was actually off twenty-eight per cent as compared with 1941.

The essential business nature of vehicles using Port Authority facilities maintained the over-all volume of traffic at 21,987,000 vehicles in 1943, as contrasted with 25,000,000 users in 1942. A breakdown of this traffic by classes is shown below:

<i>Traffic Types</i>			
	<u>1941</u>	<u>1942</u>	<u>1943</u>
Passenger Cars . . .	24,139,000	18,631,000	15,361,000
Buses	1,824,000	2,022,000	2,067,000
Trucks	4,637,000	4,356,000	4,559,000
Total	<u>30,600,000</u>	<u>25,009,000</u>	<u>21,987,000</u>

War Transport

Detailed traffic and revenue figures are shown in tabular form, elsewhere in this report. It may be noted in summary that during 1943, the first full year of gasoline rationing,

revenues from tolls totaled \$13,239,000, as compared with \$14,446,000 for 1942. This constituted a decline of twenty-two per cent from 1941, and eight per cent from 1942.

The comparatively high level of 1943 revenues is attributable in part to the larger proportion of buses and trucks utilizing the crossings in comparison with peacetime. In accordance with established schedules, these vehicles pay a higher toll rate than passenger cars.

The extent to which the interstate crossings have served the war effort is well illustrated by the two facilities most extensively used by war workers — the Lincoln Tunnel and the Bayonne Bridge. The Lincoln Tunnel at the close of the year virtually reached its capacity of 17,000 vehicles a day as a one-tube facility.

Port Authority facilities demonstrated their ability to absorb the additional traffic which was thrown upon them when ferry services were curtailed. Thus the closing of the Electric Ferries operating between Weehawken and 23rd Street, Manhattan, brought an additional load to the Hudson River crossings, principally to the Lincoln Tunnel.

Retrenchment Measures

The handling of this substantial volume of war transport created operating problems which were met by an Operating Department hard put to maintain efficient service and at the same time reduce expenses. Power bills for ventilating the Lincoln and Holland Tunnels were increased by twenty-five per cent above peacetime levels, due to additional ventilation required to take care of smoke and fumes caused by inferior

grades of gasoline currently in use, worn engines and heavier use of Diesel engines. Wartime shortages, particularly the lack of tires and replacement parts, markedly increased the number of stoppages in the two tunnels. Thus in the last six months of the year the number of cars requiring emergency aid increased forty-three per cent over the same period in 1942. Nevertheless our traffic officers, rendering free emergency service to all tunnel patrons, were able to keep traffic moving through the tunnels with a minimum of delays.

Because of the prime importance to vital war transportation of the Port Authority bridge and tunnel crossings, special security measures to protect vital locations and facilities were continued. These included (among others) war guard patrols, special lighting and fencing, at bridge anchorages and abutments and tunnel ventilation buildings.

A continuing effort was made to pare down expenses and keep them in line with operating revenues against a constantly shifting pattern of traffic. For the year ended 1943 operating expenses totaled \$3,611,286.94 as against \$4,000,513.71 for 1942, a decrease in such expenses of 9.7%. The decrease in operating expenses compares very favorably with the 7.4% decline in operating revenues for 1943 as contrasted with 1942.

The 1943 retrenchment program was accomplished in part by decreases in operating payroll. Thus, not all vacancies created by war emergencies were filled. The deferment of bridge painting and other structural maintenance, elimination of traffic promotion expenses, the curtailment of automotive equipment mileage and replacements, all contributed toward the reduction of operating expenses. And it

may be said parenthetically that the 9.7% decrease in such expenses for 1943 was achieved in spite of offsetting increases in payroll costs, resulting from offering employees in the lower brackets some relief from the high cost of living by a wartime pay adjustment plan.

Although deferred maintenance seemed to offer the best opportunity to keep operating expenses more closely in line with curtailed revenues, the Authority was aware of the fact that such a program would have to be weighed carefully in the light of safe and efficient operations. Accordingly, the services of a nationally known independent engineering firm were sought as a means of checking the deferred maintenance program. In their report, copies of which were submitted to the Governors of both states, the independent engineers concluded that, considering the exigencies which made it necessary to defer maintenance, that program has not affected the safety of the facilities nor exposed them to undue deterioration.

Restoration and Improvement Program

The facilities have reached an age where the need to schedule a systematic rehabilitation is recognized. Improvements are especially essential in the case of the Holland Tunnel which, over its life of seventeen years, has been operated with few major improvements or replacements of its original plant. Accordingly, the Commission authorized a Restoration and Improvement Program which contemplates the possible expenditure of some \$3,210,000 on the various Port Authority facilities during the course of the next few years. In furtherance of that program the Commission appro-

priated the sum of \$1,500,000 to be set aside for this purpose from 1943 revenues. While many individual items of improvement have been surveyed, work will be undertaken only as authorized by the Commission after study of all details.

Union Inland Terminal

As in the case of the vehicular crossings, the exigencies of war underscored the utility of the unique terminal facilities available in the Port Authority Commerce Building.

Union Inland Freight Station No. 1, which occupies the ground floor of the building, handled 113,412 tons of l.c.l. freight for shippers throughout the Port District, moving via the eight trunk-line carriers which are the tenant-operators of the premises. Included in this total are 29,802 tons moved through the building on behalf of tenants. In addition, the Railway Express Agency handled 209,035 tons of express through their terminal in the basement of this building.

The extensive units of space (over three acres) on single floors of the building, and the unexcelled vertical transportation provided by high-speed package freight and truck elevators, have proved particularly attractive to war agencies and light manufacturing of many essential types. Beginning the year with an occupancy of 98.36%, the building early attained 100% occupancy, and requests for additional space have had to be denied.

Total rent and other revenue from the Port Authority Commerce Building and freight station for the year amounted to \$1,480,766, an increase of 2.4% over \$1,446,274 obtained from this source in 1942.



TRAFFIC



PASSENGER CARS
Number

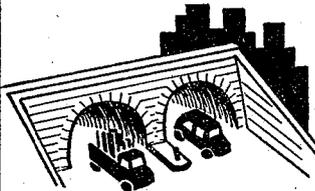


BUSES
Number



HOLLAND TUNNEL

1943	6,847,871	243,377
1942	8,366,557	278,038
1941	11,117,010	275,545



LINCOLN TUNNEL

1943	2,589,743	1,112,566
1942	2,525,003	1,015,745
1941	3,148,056	835,449



GEO. WASHINGTON BRIDGE

1943	4,258,092	661,972
1942	5,976,245	681,499
1941	7,920,644	664,465



STATEN ISLAND BRIDGES

1943	1,646,181	49,519
1942	1,739,345	46,578
1941	1,928,473	48,901



ALL FACILITIES

1943	15,341,887	2,067,434
1942	18,607,150	2,021,860
1941	24,114,183	1,824,360

NOTE: Excludes Military Vehicles for months of July, August and September, 1943.



TRUCKS
Number



OTHER
Number



TOTAL VEHICLES
Number

2,642,527

7,382

1943 9,741,157

2,631,462

9,692

1942 11,285,749

2,826,556

12,304

1941 14,231,415

846,513

3,772

1943 4,552,594

689,150

4,706

1942 4,234,604

694,071

3,581

1941 4,681,157

695,465

4,559

1943 5,620,088

717,531

6,385

1942 7,381,660

788,823

5,969

1941 9,379,901

373,860

3,114

1943 2,072,674

318,403

3,506

1942 2,107,832

328,012

2,708

1941 2,308,094

4,558,365

18,827

1943 21,986,513

4,356,546

24,289

1942 25,009,845

4,637,462

24,562

1941 30,600,567

Effective October 1, Military Vehicles included in proper classification.

TOLL REVENUE



PASSENGER CARS
Revenue

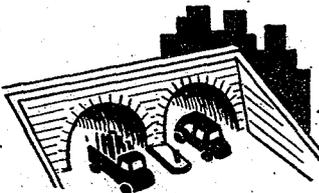


BUSES
Revenue



HOLLAND TUNNEL

1943	\$ 3,416,199	\$ 218,445
1942	4,177,424	256,303
1941	5,550,744	256,600



LINCOLN TUNNEL

1943	\$ 1,292,974	\$1,112,538
1942	1,260,948	1,015,705
1941	1,571,850	835,425



GEO. WASHINGTON BRIDGE

1943	\$ 2,127,272	\$ 661,971
1942	2,986,616	681,488
1941	3,958,768	664,426



STATEN ISLAND BRIDGES

1943	\$ 587,364	\$ 46,613
1942	656,549	42,854
1941	758,869	42,743



ALL FACILITIES

1943	\$ 7,423,809	\$2,039,567
1942	9,081,537	1,996,350
1941	11,840,231	1,799,194

NOTE: Military Vehicle revenue included in "Trucks" for July, August and

 TRUCKS Revenue	 OTHER Revenue	 TOTAL REVENUE
\$2,217,443	\$1,834	1943 \$5,853,921
2,078,247	2,414	1942 \$6,514,388
2,127,337	3,075	1941 \$7,937,756
\$ 661,792	\$ 943	1943 \$3,068,247
490,630	1,177	1942 \$2,768,460
462,927	893	1941 \$2,871,095
\$ 616,041	\$1,140	1943 \$3,406,424
588,295	1,596	1942 \$4,257,995
622,454	1,492	1941 \$5,247,140
\$ 276,076	\$ 768	1943 \$910,821
204,715	867	1942 \$904,985
199,715	667	1941 \$1,001,994
\$3,771,352	\$4,685	1943 \$13,239,413
3,361,887	6,054	1942 \$14,445,828
3,412,433	6,127	1941 \$17,057,985

September, 1943. Effective October 1, revenue included in proper classification.

CONSTRUCTION

*M*AJOR construction activity of the Port Authority during the past year was directed toward the completion of the second or north tube of the Lincoln Tunnel.

Originally planned as a two-tube facility, the south tube of the Lincoln Tunnel was opened to two-way traffic in December 1937, a little over three years after ground was broken. Ground was broken for the second or north tube in February 1937, and the under-river section was holed through some fourteen months later. Almost immediately thereafter the Commission was confronted with the advisability of suspending further construction in view of the then light traffic conditions which existed at that facility, or adding a substantial operating burden by completing and opening the second tube to traffic. The decision was made to suspend construction.

In 1939 the Lincoln Tunnel as a single-tube facility was used by 2,835,349 vehicles. By 1940 traffic had increased thirty-eight per cent to 3,912,885 vehicles. In 1941, 4,681,157 vehicles used the Lincoln Tunnel, and 4,234,604 and 4,552,594 in 1942 and 1943 respectively.

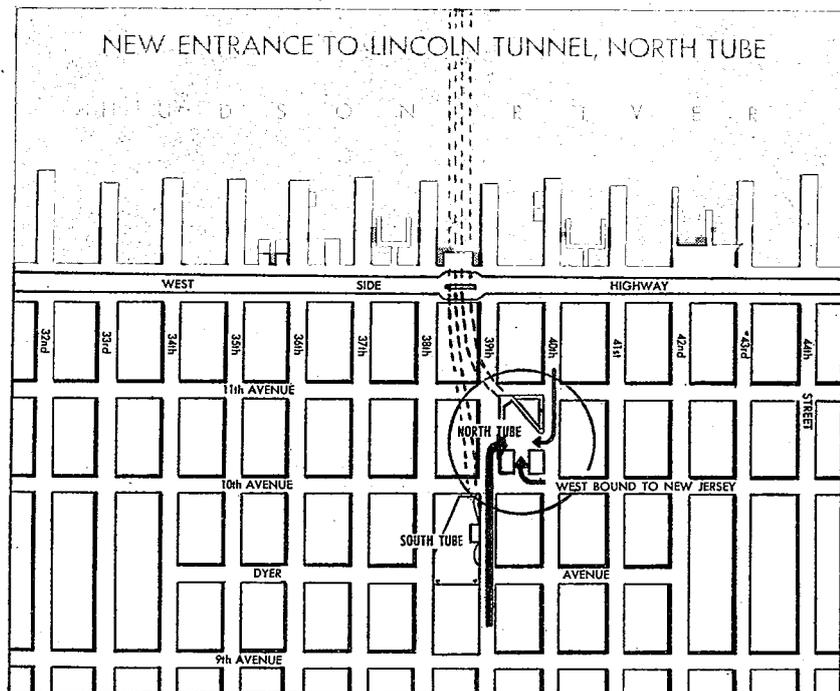
By 1941, it was apparent that traffic at the Lincoln Tunnel was growing so rapidly that it would be necessary to complete the second tube. Construction was resumed in January 1941. Now ninety-five per cent complete, the job, since the start of defense and war activities, has constituted one long struggle for critical materials. Thus its final completion during 1943 was particularly impeded by recurrent obstacles in the way of securing copper needed to install electrical equipment for operation of the tunnel lighting, ventilation and signal systems.

As reported last year, a system of cross-coupling, whereby the electrical equipment of the south tube could be utilized for the operation of the north tube during an emergency, was set up during 1943. Temporary installations, where equipment was unobtainable, were also completed for emergency use.

During the closing period of 1943 the War Production Board granted the Authority priorities which, on their face, assure the delivery during 1944 of the copper required for completion of the electrical equipment. The exact date of opening will depend upon the delivery and installation of the critical materials which have been allotted, but the manufacture and processing of which are predicated upon available manpower in plants primarily engaged in war work.

New York Plaza

Anticipating the need for a more accessible entrance in New York City, the Commission last year authorized the extension of the New York Plaza of the north tube (which will carry westbound traffic to New Jersey) from the present plaza eastward to Tenth Avenue. Under this plan there will be three entrances to the plaza, one each from Tenth Avenue, West 39th and West 40th Streets. The property necessary for this extension of the plaza eastward to Tenth Avenue is owned by the Port Authority.



COMMERCE, TRADE AND PORT PROBLEMS

Port Planning

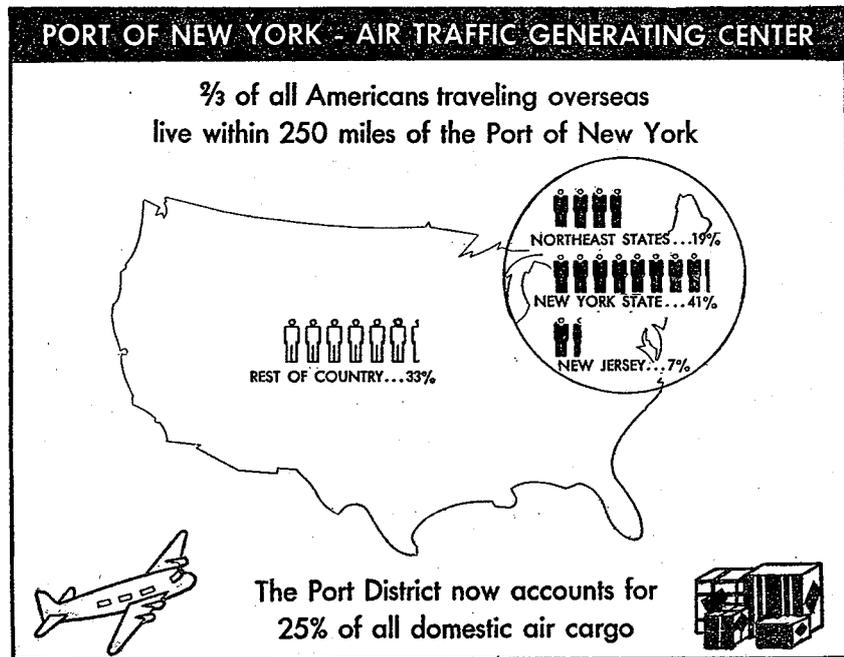
WITH the broad objectives of maintaining the Port of New York as a crossroads of world trade and of increasing the efficiency and economy of the district's terminal and transport facilities, an intensive two-year planning program is under way. Foundation of the program is a survey of the changes in character and volume of trade likely to result from the war, including the effect of new industrial processes and industrial regional shifts within the port area, as well as new transport arteries, such as direct air and seaway routes from the interior.

A second survey is concerned with the restoration of merchant shipping to the Port of New York after the war, and will take the form of concrete recommendations of the steps necessary to rebuild peacetime overseas and domestic waterborne services.

Study is being made of the adequacy of present and proposed airports to serve the future air-borne commerce of the district. The results of these studies are already being utilized as a basis for support of applications for new and necessary airline services from the Port of New York. It is already evident that major air routes must make their principal terminals in this district, which taps the nation's largest reservoir

of cargo and passengers. Residents of the Port District and its tributary areas have in the past constituted the preponderance of American travelers abroad, and will doubtless be the chief users of the overseas air services of the future. Because of the undoubted importance of air commerce in the future, it is essential not only that the district be provided with adequate airports, but also that efficient terminal methods be provided for the swift and ready interchange of cargo and passengers between air, rail, ship and motor-truck carriers.

It is in this area of terminal handling of air commerce that we believe this agency is equipped to serve the air transport needs of the district.



Highway Plans

An over-all survey is being made of the highway needs of the port area, in the light of the anticipated great increase in motor travel after the war. Despite the fine system of state highways and parkways developed to date, further integration is necessary. Certain vital links urgently needed to bring existing river crossings and routes to their maximum utility should be progressed at the earliest possible moment. Among these is N. J. Route 100. The route contemplated by present statutory designation includes a difficult bridge across Newark Bay, and the carrying of traffic north through Bayonne and Jersey City in the vicinity of such congested points as Tonnele Circle. A more direct and northerly routing across the Meadows is desirable. This would give freer access to the New Jersey waterfront communities and to the tunnels and the George Washington Bridge.

Also of great importance to the future growth of the region will be N. J. Routes S-3 and 10, sections of which are already constructed. These routes, when completed, will materially reduce travel time between important communities of Passaic and Essex Counties, the New Jersey Hudson River waterfront and New York City.

Another pressing aspect of the highway transport problem is the provision of adequate off-street parking facilities to reduce street congestion and resulting costly delays. Urgently needed will be adequate parking facilities for passenger cars and buses. The Port Authority is presently studying, in cooperation with New York City, the possibilities of a union bus terminal in Manhattan. This project has two major objectives:—on the one hand, to relieve the serious traffic problem

in New York City caused by the present inadequate bus terminal facilities; on the other hand, to furnish a modern and accessible terminal for the convenience of interstate bus passengers. In connection with this and other terminal projects, off-street parking facilities for passenger cars are being studied, with especial reference to problems involved in making this type of facility economically self-sustaining.

New Port Projects

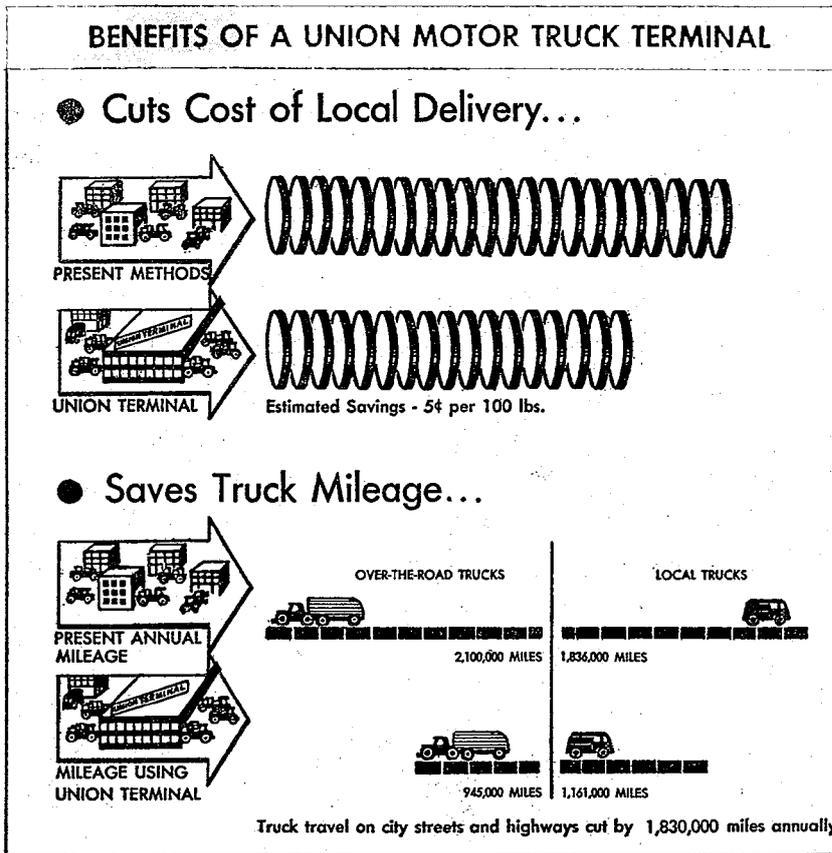
Parallel with the economic surveys now being carried on by our Planning Division, engineering plans are being progressed for a variety of new terminal projects designed to make the Port District after the war an economical and efficient place for business and living.

While, in the main, such projects are contemplated for execution after the war, as of the end of 1943 this agency made renewed efforts to secure the necessary materials for immediate construction of the first of the proposed union motor-truck terminals. The importance of expediting the vital flow of motor-truck shipments to and through this area, together with the prospect of saving 1,830,000 truck miles annually in the present period of shortages, gives cogency to current arguments for immediate construction of these gravely needed facilities. Leading over-the-road operators have indicated their readiness to make use of the union terminal, if provided. At the year's end, the endorsement of government agencies interested in truck conservation, and War Production Board action, were awaited upon this agency's application for the necessary materials to proceed. In addition to its immediate value from the standpoint of conservation, the

union handling of motor-truck freight will substantially lower local distribution costs on over-the-road shipments.

In addition to a series of union motor-truck terminals in New York and New Jersey, the projects under study include a union bus terminal in Manhattan, a bulk-commodity terminal in New Jersey, and a suburban transit system for Northern New Jersey.

A study has been made of the possibilities of increasing the usefulness of the barge canal terminals in New York Harbor presently operated by the State of New York. This work was undertaken at the suggestion of the New York



State Superintendent of Public Works in cooperation with a committee of state officials designated by Governor Dewey.

Also on the current planning schedule is the long contemplated union rail tunnel across the Upper Bay from Brooklyn to New Jersey. Although it has been recognized since 1922 as an essential link in the port's rail system, this tunnel has never been brought within the yardstick of economic practicability on the basis of revenues from potential railroad users. Despite the failure of past efforts to achieve a practicable method of financing, the Cross Bay Tunnel remains a necessary and desirable project. Current studies are aimed at exploring new technological developments which may substantially reduce the cost of construction.

In the case of the projects listed above, studies have not yet been sufficiently advanced to determine whether all can be constructed within the limitations of economic practicability which govern the Port Authority's operations. This determination will be based upon economic studies which are being advanced parallel with engineering investigations of new technological processes.

Commerce Protection

In accordance with statutory requirements, this agency intervened on behalf of the port in proceedings affecting freight rates and practices. A continuing effort was made to prevent unnecessary diversion of steamship services to other ports, and the groundwork was laid for assuring the return of services unavoidably diverted as soon as military expediency permits. A considerable number of special studies and programs were developed at the request of and in cooperation

with government agencies and trade bodies. Among these were: a plan for curtailment of bus services of rail carriers in the area, prepared at the request of the Office of Defense Transportation; continuing study and presentation of recommendations to congressional committees and to the Petroleum Coordinator for War for improving the supplies of gasoline and fuel oil in this region; a program of public education in the conservation of gasoline and tires.

An attempt by the railroads to assess extra charges for unloading lumber in New York Harbor was defeated by an appeal to the Interstate Commerce Commission. If this proposal had not been defeated it would have put the port at a competitive disadvantage, as well as imposing new charges on the construction industry. The Port Authority took a leading part in this appeal, along with shipper groups.

Increases in the spread between over-the-road motor carrier charges applicable to the center of the district, and to territories in Northern New Jersey, the Bronx, Queens, Brooklyn and Staten Island, were held in check by appeals to the Interstate Commerce Commission. In the case of the Borough of Queens, including potentially important industrial and airport areas, the rates of long-haul motor-truck carriers were actually reduced by negotiation, bringing this territory closer into line with other sections of the port from a motor transportation rate standpoint.

The Port Authority was active in protecting the position of the port in several cases involving combination water-rail rates to the southeast and southwest, in such manner that the resumption of coastwise service after the war would not be foreclosed.

The Authority has aided in expediting decisions by federal agencies to grant materials and allot funds for dredging needed anchorage areas, additional rail trackage and float-bridge facilities at the New Jersey waterfront terminals, and in seeking means of augmenting the number of freight handlers in time of labor shortage.

During 1943 the Port Authority took its first formal action on behalf of the air commerce of the district. Permission was sought and granted to intervene in a hearing before the Civil Aeronautics Board early in 1944 on an application for the establishment of a northerly transcontinental air route via Minneapolis-St. Paul to Newark-New York. Establishment of a direct one-carrier service to points north and west of Chicago will materially influence the position of the Port of New York on world air lanes.

The financial and business community will increasingly require a direct air link with the Pacific Northwest, which is one of the most rapidly growing industrial sections of the United States. In supporting the application of Northwest Air Lines, the Port Authority has not in any sense insisted that the route should be flown by this or any other particular air line.

ADMINISTRATION

Two appointments to the Commission were made in 1943 by Governor Edison of New Jersey. Commissioner Frank Dorsey, whose first term expired on July 1, was reappointed. Colonel Arthur Walsh was appointed to fill the unexpired term (to July 1, 1947) of the late Commissioner James W. Costello. Subsequently, Commissioner Walsh was appointed to the United States Senate. He will continue to serve the Port Authority in accordance with established precedent, which permits Commissioners to hold other public offices not in conflict with Port Authority duties.

The Commission recorded its deep sense of loss at the death of Commissioner Costello, who had been a member of the Board for two years. Commissioner Costello had also a distinguished record of public service as Chief Engineer of the City of Newark and as a member of the New Jersey State Board of Commerce and Navigation.

Committee Reorganization

Prior to formal Commission action, staff recommendations receive the detailed consideration of working committees of the Commission. Up to the past year, twelve such standing committees had been functioning, namely, Audit, Construction, Finance, Insurance and Claims, Operations, Purchase, Personnel, Port Protection, Terminals, Program and Work, Public Agencies, Publicity and a Special Committee on Taxation.

Experience proved, however, that the major burden fell upon the Construction, Finance, Operations and Personnel Committees. During 1943 the number of committees was reduced to four, among which were allocated the residual functions of the less active committees. The Chairman and Vice-Chairman are ex-officio members of all committees. The 1943 committee assignments of Commissioners and committee functions are summarized on the next page.

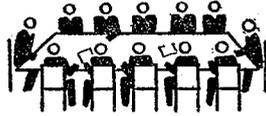
The recommendations of the four committees take the form of periodic reports and recommendations to the full Commission. The Executive Director, Austin J. Tobin, is chief liaison officer between the Commission and Staff, as well as the administrative head of the latter. The Executive Director and Commission are advised on matters of legal policy by General Counsel, Leander I. Shelley.

The committee organization of the Commission is paralleled by the division of staff functions into four major departments. These are: Department of Operations, headed by Billings Wilson, Director; Department of Port Development, headed by Walter P. Hedden, Director; Engineering Department, headed by J. C. Evans, Chief Engineer, and Department of Audit and Control, headed by J. J. Mulcahy, Comptroller.

Personnel

Inevitably in 1943 difficulties were encountered in retaining staff experts and technicians and in replacing employees who entered the armed forces. While carrying on an inten-

HOW THE COMMISSION WORKS



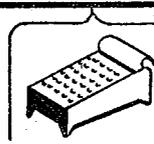
THE COMMISSION

COMMITTEES
Chairman Frank C. Ferguson
is an ex-officio member
of all committees



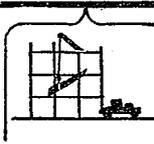
PORT PLANNING
Howard S. Cullman,
Chairman
Frank Dorsey,
Vice-Chairman
John Borg
Frank J. Taylor
Eugene F. Moran

FUNCTIONS
Implements Port Authority statutory duty of port development. Authorizes intervention in proceedings affecting port commerce; deals with terminal problems.



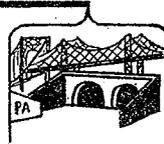
FINANCE
John J. Pulleyn,
Chairman
Raymond M. Greer,
Vice-Chairman
Howard S. Cullman
Joseph M. Byrne, Jr.
Frank Dorsey

FUNCTIONS
Supervises financing, accounts, audits; authorizes debt service and reserve fund projects. Responsible for all other financial matters.



CONSTRUCTION
John Borg,
Chairman
Charles S. Whitman,
Vice-Chairman
Rudolph Reimer
Frank J. Taylor
Arthur Walsh

FUNCTIONS
Authorizes preparation of drawings, specifications and contract papers. Considers and reports on all bids for construction contracts. Supervises all Port Authority construction projects.



OPERATIONS
Joseph M. Byrne, Jr.,
Chairman
Rudolph Reimer,
Vice-Chairman
John J. Pulleyn
Charles S. Whitman
Raymond M. Greer

FUNCTIONS
Exercises general supervision over operation of all facilities operated by the Port Authority. Recommends appointments to or changes in staff. Supervises purchases of materials and supplies.

1943

sive recruitment program, the Authority succeeded in maintaining a high standard of competence in its employees, who are accepted on the basis of qualifying examinations especially designed to discover needed aptitudes, skills and experience.

To offset the ever-increasing manpower shortage a precedent was broken in the hiring of women for toll collection, field clerical and light porter work, which relieved but did not solve the problem.

Having recognized the difficulties confronting Port Authority employees in meeting the increased cost of living, the Board in 1943 followed the precedent established by the States of New Jersey and New York and the Federal Government, and authorized a wartime pay adjustment plan. The cost of this program for the six months during which it has been in force was \$83,899.

At the end of 1943, Port Authority employees serving on leave of absence in the armed forces numbered 154. In the closing months of the year a small number of veterans, honorably discharged, returned to their Port Authority duties. Anticipating the reemployment of an increasing number of ex-service men, a survey has been initiated with especial emphasis upon the establishment of a pool of constructive and useful jobs for men suffering various types and degrees of disability.

The professional and clerical staff was augmented in 1943 by the creation of a special planning section in the Department of Port Development, which functions in close liaison with the Engineering Department and reports to a central staff planning committee, including the Executive Director,

Chief Engineer and Director of Port Development. These staff members, in turn, report to the Committee on Port Planning and the Board of Commissioners.

Military Tolls

The Authority is not under any statutory prohibition against the collection of tolls from military vehicles. The policy of granting free passage to such vehicles was voluntarily adopted by the Commission in 1941 before Pearl Harbor and before there was any curtailment of civilian traffic. In view of declining civilian traffic and the rapid rise in military use of the facilities, the Commission decided during 1943, with the approval of the two Governors, to assess such tolls.

The first contract with the armed forces, for a three-month period ending September 30, was on a flat fee basis. Commencing October 1, 1943, new contracts provided for toll payments by the Government services on the basis of actual military use of Port Authority facilities, computed at the established toll rates. Revenues from military tolls during the last six months of 1943 amounted to \$207,616.

New Jersey — Lincoln Tunnel Approach

Legislation accepting as a part of the New Jersey State Highway System a portion of the New Jersey Approach to the Lincoln Tunnel, constructed by the Port Authority, through Weehawken, Union City and North Bergen, and providing for the maintenance, operation and administration thereof by the State of New Jersey, was adopted by the New Jersey State Legislature and signed by Governor Edison.

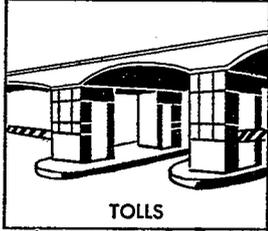
FINANCIAL

NOTWITHSTANDING the difficulties confronting agencies dependent upon vehicular toll revenues in a period of curtailed motor traffic, the Port Authority was able to achieve a new milestone in its financial history during the year ended.

In August of 1943 an issue of the Authority's Seventh Series General and Refunding bonds, aggregating \$14,281,000 in principal amount, bearing a coupon rate of $2\frac{3}{4}\%$, was sold at 101.337% of par value. In line with established policy, the bonds were sold by taking competitive bids. Four syndicates bid on this issue.

The new issue was authorized to provide funds to refund Third Series General and Refunding bonds, $3\frac{1}{2}\%$, maturing in 1976 and callable at 103% November 1, 1943. Maturing in 1973 and callable in whole or in part on interest payment dates at or subsequent to September 1, 1948, the Seventh Series bonds were sold at an interest cost to the Authority of 2.68%. Economies resulting from this refunding operation will result in an ultimate saving of approximately \$1,440,000. The interest cost is the lowest which the Authority has enjoyed on its long term borrowings in the seventeen years it has been marketing its bonds.

WHERE THE MONEY CAME FROM . . .



TOLLS



BUILDING RENTS,
INVESTMENTS



\$13,239,413



\$1,820,313



HOW IT WAS DISTRIBUTED . . .



\$3,611,287



OPERATIONS &
MAINTENANCE



\$6,546,697



DEBT RETIREMENT,
RESERVES, PROPERTY
IMPROVEMENTS
& ADDITIONS



\$4,901,741



INTEREST

Income from all sources during 1943 was \$15,059,725, a decline from 1942 of \$1,110,523, or 6.9%.

Deductions for operating expenses, interest on funded debt and all charges amounted to \$8,513,028 in 1943 as compared with \$8,997,057 in 1942, and \$9,942,417 in 1941. Net income available for sinking funds, reserves and debt retirement in 1943 was \$6,546,698 as compared with \$7,173,191 for 1942, a decrease of 9%. In 1941 the amount available was \$8,740,131, or \$2,193,433 more than in 1943.

In addition to the allocation of \$2,552,064 to the General Reserve Fund, \$1,653,514 was allocated to the Sinking Fund Reserves and \$24,838 to the Insurance Reserve, and \$16,282 to the Deficiency Reserve. The regular annual retirement of \$800,000 Series G bonds was made from the net available income, and there was also appropriated an amount of \$1,500,000 to a newly-created "Restoration and Improvement Reserve," referred to on page Five of this report.

The Commission has continued to follow a conservative policy with respect to the investment of surplus and reserve funds. As of December 31, 1943, the make-up of the Port Authority's sinking funds and reserves is as follows: \$3,153,059 in cash and accrued interest; \$14,600,986 of U. S. Treasury Certificates of Indebtedness; \$946,353 in Port Bonds; and \$178,600 in a mortgage on a property liquidated by the Authority.

General Reserve Fund

In 1931 legislation was enacted in both states directing the Port Authority to set aside surplus revenues, not required

Financial Summary

	1943	1942	1941
TRAFFIC (Number of Vehicles)	21,986,513	25,009,845	30,600,567
REVENUES			
—From Tolls	\$13,239,413	\$14,445,828	\$17,057,985
—From Building Rents	1,480,766	1,446,275	1,367,824
—From Other Rentals (Power Ducts, etc.)	29,139	33,901	29,189
TOTAL OPERATING REVENUES	\$14,749,318	\$15,926,004	\$18,454,998
EXPENSES			
—For Operations, Maintenance, Administration	\$ 3,611,287	\$ 4,000,514	\$ 4,602,940
NET REVENUES FROM OPERATIONS	\$11,138,031	\$11,925,490	\$13,852,058
OTHER INCOME			
—From Investments, Bank Deposits, and from Dwellings, etc., less Paying Agents, Registrars' Fees, etc.	\$ 310,408	\$ 244,244	\$ 227,550
INCOME BEFORE INTEREST	\$11,448,439	\$12,169,734	\$14,079,608
INTEREST			
—Paid to Bondholders	\$ 4,901,741	\$ 4,996,543	\$ 5,339,477
NET INCOME	\$ 6,546,698	\$ 7,173,191	\$ 8,740,131
THE NET INCOME WAS DISTRIBUTED:			
—To the General Reserve	\$ 2,552,064	\$ 4,744,686	\$ 1,266,878
—To the Insurance Reserve	24,838	40,703	1,025,119
—To the General & Refunding Bond Sinking Fund Reserves	1,653,514	1,587,802	4,634,076
—To Retire Series "G" Bonds	800,000	800,000	797,123
—To Property Additions . . . . .	.....	.....	1,016,935
—To the Restoration and Improve- ment Reserve	1,500,000	.....	.....
—To Employees' Retirement System Deficiency Reserve	16,282	.....	.....
TOTAL	\$ 6,546,698	\$ 7,173,191	\$ 8,740,131

for current operation and maintenance, general expenses and debt service. These surplus revenues are required to be pooled and applied by the Port Authority to the establishment and maintenance of a General Reserve Fund.

The Authority ended the year 1943 by allocating \$2,552,064 from net income to its General Reserve Fund, thus bringing the total up to \$14,168,555. Outstanding bonds legal for investment at the year's end totaled \$181,046,000.

Tax Immunity

The first phase of the litigation involving the power of the Federal Government to tax the interest received by bondholders from state and municipal bonds, was recently decided in favor of state and local government when the Tax Court of the United States held that the interest received from Port of New York Authority bonds is not subject to Federal income tax. The test case, *Shamberg v. Commissioner of Internal Revenue* was, according to the official Treasury newspaper release, started by the Treasury to establish the Federal power to tax interest on all state and municipal bonds.

The Tax Court, by a vote of ten to five, held that income from Port Authority bonds is exempt from Federal tax under the terms of the various revenue acts of Congress, which declare that there shall be no taxation of the income of the obligations of a "state or any political subdivision thereof." Limiting itself, as it did, to exemption under the existing revenue acts, the Tax Court did not decide whether state and

municipal bonds are entitled to constitutional immunity. The Treasury Department therefore was unsuccessful in its attempt to induce the Tax Court to overrule long established precedent in favor of the constitutional immunity of state and local bonds from Federal income taxation.

The Treasury Department had sought unsuccessfully for the past five years to have Congress eliminate the statutory exemption. The Port of New York Authority has cooperated in opposing these changes with the Conference on State Defense, a nation-wide organization of state and local officials formed to resist Federal encroachment on the fiscal independence of state and local government.

Shamberg v. Commissioner of Internal Revenue and its companion case, *White v. Commissioner of Internal Revenue*, which upheld the immunity from taxation of the interest derived from Triborough Bridge Authority bonds, were argued in the Tax Court in a trial lasting four weeks, during April and May, 1943. The argument was before Judge Clarence V. Opper, who wrote the majority opinion for the United States Tax Court.

Although the litigation was between the Commissioner of Internal Revenue and a holder of Port Authority bonds, the Authority undertook to defend the action because of the great public interest involved in the outcome of the case.

The United States Treasury Department has said it will appeal the decision of the Tax Court to the United States Circuit Court of Appeals for the Second Circuit. It is not likely that a decision by the United States Supreme Court, if the case should reach that tribunal, will be forthcoming before 1945.

Comparison of Net Revenues

	1943	1942	Increase or Decrease*
I. OPERATING REVENUE AND INCOME			
Passenger Cars	\$ 7,423,808.60	\$ 9,081,537.24	\$1,657,728.64*
Buses	2,039,567.00	1,996,350.40	43,216.60
Trucks	3,687,652.69	3,360,939.66	326,713.03
Motorcycles	4,684.60	7,000.85	2,316.25*
†Military Vehicles	83,700.00	.....	83,700.00
Rents, P.A. Commerce Bldg., etc.	1,480,766.34	1,446,274.79	34,491.55
Interest on Investments, etc.	356,488.48	298,577.08	57,911.40
TOTAL	\$15,076,667.71	\$16,190,680.02	\$1,114,012.31*
II. DEDUCTIONS			
Operating Expenses	\$ 3,611,286.94	\$ 4,000,513.71	\$ 389,226.77*
Interest on Funded Debt..	4,901,740.99	4,996,542.94	94,801.95*
Other Income Charges...	16,942.14	20,431.90	3,489.76*
TOTAL	\$ 8,529,970.07	\$ 9,017,488.55	\$ 487,518.48*
NET REVENUES	\$ 6,546,697.64	\$ 7,173,191.47	\$ 626,493.83*

*Denotes decrease.

†Represents lump sum payment for July, August and September 1943 for military vehicles. Effective October 1, 1943, these vehicles are included in regular classifications.

ARTHUR YOUNG & COMPANY
ACCOUNTANTS AND AUDITORS

1 CEDAR STREET
NEW YORK 5, N. Y.

Certificate of Independent Public Accountants

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

We have examined the following financial statements of The Port of New York Authority:

Balance sheet at December 31, 1943 (Exhibit A)

Statement of net revenues and appropriations thereof
for the year ended December 31, 1943 (Exhibit B)

Statement of reserves for the year ended December 31,
1943 (Exhibit C)

In connection therewith we have reviewed the system of internal control and the accounting procedures of the Authority and, without making a detailed audit of the transactions, 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 included all procedures which we considered necessary.

In our opinion, the accompanying financial statements (as listed above) present fairly the position of The Port of New York Authority at December 31, 1943 and its revenues and expenditures for the year then ended, on the basis of the accounting policies set forth in Notes 2, 3, 7 and 8 to such financial statements.

ARTHUR YOUNG & COMPANY

New York, N. Y.,
February 4, 1944.

THE PORT OF NEW YORK AUTHORITY

Balance

ASSETS

EXPENDITURES FOR FACILITIES (Note 2).....			\$237,318,297.58	
SPECIAL FUNDS:				
Balance of proceeds from sales of bonds and miscellaneous funds available for construction purposes—cash in banks.....	\$	855,485.55		
Sinking funds—cash in banks.....		379,888.91		
Employees' retirement system deficiency fund (Note 3)—				
Cash in bank.....	\$	104,787.89		
Investment in U. S. Treasury Certificates of Indebtedness, 7/8%, due September 1, 1944, at cost (\$600,000 principal amount)—quoted market value \$600,530.08.....		600,000.00		
Investment in bonds of The Port of New York Authority, at cost (\$151,000 principal amount)—quoted market value \$156,650.00.....		151,710.00		
Accrued interest receivable.....		1,732.50	858,230.39	
Insurance fund—				
Cash in bank.....	\$	151,341.66		
Investment in U. S. Treasury Certificates of Indebtedness, 7/8%, due September 1, 1944, at cost (\$1,200,000 principal amount)—quoted market value \$1,201,060.15.....		1,200,000.00		
Investment in bonds of The Port of New York Authority, at cost (\$137,000 principal amount)—quoted market value \$142,137.50.....		136,975.00		
Mortgage receivable.....		178,600.00		
Prepaid insurance.....		291,885.63		
Other assets.....		14,256.65	1,973,058.94	4,066,663.79
CURRENT ASSETS AVAILABLE FOR DEBT SERVICE AND GENERAL CORPORATE PURPOSES:				
Cash in banks and on hand.....	\$	2,520,326.00		
Investments in securities—				
U. S. Treasury Certificates of Indebtedness, 7/8%, due September 1, 1944 to December 1, 1944, at cost (\$13,950,000 principal amount)—quoted market value \$13,962,461.73.....		\$13,951,988.65		
The Port of New York Authority bonds, at cost (\$647,000 principal amount)—quoted market value \$670,453.75.....		657,668.50	14,609,657.15	
Accounts and accrued interest receivable.....		136,424.46	17,266,407.63	
OTHER ASSETS AND MISCELLANEOUS UNADJUSTED ITEMS:				
Deposits with paying agents for unredeemed bonds and interest coupons.....	\$	1,294,088.75		
Mortgage receivable and miscellaneous investments.....		7,114.86		
Miscellaneous unadjusted items.....		22,871.43	1,324,075.00	
			<u>\$259,975,444.00</u>	

127
153
643
834

Explanatory note

LIABILITIES

UNFUNDED DEBT (Note 4) (Schedule 1) \$181,046,000.00

UNSUBORDINATED LIABILITY FOR ADVANCES FROM THE STATES OF
NEW YORK AND NEW JERSEY IN AID OF CONSTRUCTION
AND FOR PRELIMINARY STUDIES AND SURVEYS (Note 5) 8,599,840.17

CURRENT LIABILITIES:

Accounts payable	\$ 154,665.18	
Accrued interest on funded debt	875,020.72	
Accrued liability for contribution to employees' retirement system	344,528.52	
Liability in lieu of taxes	30,064.10	
Unredeemed tickets, miscellaneous deposits, etc.	<u>204,441.83</u>	1,608,720.35

UNREDEEMED BONDS AND INTEREST COUPONS 1,294,108.75

RESERVES (Note 2) (Exhibit C):

Sinking fund reserves	\$ 379,888.91	
Employees' retirement system deficiency reserve (Note 3) . .	858,230.39	
Insurance reserve (Note 6)	1,973,058.94	
Restoration and improvement reserve (Note 7)	1,499,265.04	
General reserve	14,168,555.26	
Reserves applied to retirement of debt, payment of debt service, etc., less deficit accounts of certain facilities and debt refunding expenses	<u>37,687,364.36</u>	56,566,362.90

FEDERAL AND STATE GRANTS FOR CONSTRUCTION AND COM-
PROMISE DISCOUNT ON STATE AID SETTLEMENTS 10,860,411.85

**POTENTIAL LIABILITIES AND CONSTRUCTION COMMITMENTS
(Note 1)**

\$259,975,444.02

are attached hereto.

EXHIBIT B
THE PORT OF NEW YORK AUTHORITY
Statement of Net Revenues and Appropriations Thereof for the
Year Ended December 31, 1943

GROSS OPERATING REVENUES:		
Vehicular tolls from bridge and tunnel facilities.....		\$13,239,412.89
Rental income—		
From tenants	1,406,394.06	
From The Port of New York Authority.....	74,372.28	
Miscellaneous	29,139.20	
Total gross operating revenues.....		<u>\$14,749,318.43</u>
OPERATING EXPENSES		<u>3,611,286.94</u>
Net operating revenues.....		\$11,138,031.49
OTHER INCOME, LESS OTHER DEDUCTIONS		<u>310,407.14</u>
INTEREST ON FUNDED DEBT (less \$688,689.84 capitalized—Note 2)		<u>\$11,448,438.63</u>
Net revenues available for sinking fund reserves, for retirement of debt and for other appropriations in accordance with statutory requirements and agreements with bondholders (Notes 2, 3 and 8)		<u>4,901,740.99</u>
Net revenues available for sinking fund reserves, for retirement of debt and for other appropriations in accordance with statutory requirements and agreements with bondholders (Notes 2, 3 and 8)		<u>\$ 6,546,697.64</u>
APPROPRIATIONS AND ALLOCATIONS OF NET REVENUES:		
To sinking fund reserves—		
General and Refunding Bonds, Fifth Series.....	\$743,780.94	
General and Refunding Bonds, Sixth Series.....	909,732.79	
To employees' retirement system deficiency reserve, representing income from securities held in employees' retirement system deficiency fund.....		16,282.04
To insurance reserve, representing income from securities held in insurance fund.....		24,838.28
To restoration and improvement reserve (Note 7).....		1,500,000.00
To general reserve		<u>3,352,063.59</u>
Net revenues transferred to reserve accounts (Exhibit C)		<u>\$ 6,546,697.64</u>

Explanatory notes are attached hereto.

EXHIBIT C
THE PORT OF NEW YORK AUTHORITY
Statement of Reserves for the Year Ended December 31, 1943

[38]

	Total	Sinking Fund Reserves	Employees' Retirement System Deficiency Reserve	Insurance Reserve	Restoration and Improvement Reserve	General 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, 1942.....	\$50,323,183.11	\$ 302,452.35	\$841,948.35	\$1,909,963.25	\$	\$11,616,491.67	\$85,652,327.49
Appropriated Net Revenues for the Year Ended December 31, 1943 (Exhibit B).....	6,546,697.64	1,653,513.73	16,282.04	24,838.23	1,500,000.00	3,352,063.59	.....
Funded Debt Retired:							
General and Refunding Bonds, Fifth Series, 3¼%, due 1977		<i>666,319.35</i>	.....	.....	.....	.....	666,319.35
Excess of cost of Fifth Series Bonds retired through sinking fund over principal amount (\$655,000.00)	<i>11,319.35</i>	.....	.....	.....	.....	.....	<i>11,319.35</i>
General and Refunding Bonds, Sixth Series, 3%, due 1975		<i>909,757.82</i>	.....	.....	.....	.....	909,757.82
Excess of cost of Sixth Series Bonds retired through sinking fund over principal amount (\$895,000.00)	<i>14,757.82</i>	.....	.....	.....	.....	.....	<i>14,757.82</i>
Appropriation for retirement through sinking fund of \$800,000.00 principal amount of Special Refunding Bonds, Series G, 1.10%, matured October 1, 1943 .....		.....	.....	.....	.....	800,000.00	800,000.00
Excess of Self-Insurance Provisions (\$62,146.67) over Certain Expenses and Claims Paid (\$23,839.26)	38,257.41	.....	.....	38,257.41	.....	.....	.....
Expenditures in Connection with the Restoration and Improvement Program	<i>734.96</i>	.....	.....	.....	<i>734.96</i>	.....	.....
Net Premium and Expense on Refunding General and Refunding Bonds, Third Series, 3½%, due 1976 by Issue of General and Refunding Bonds, Seventh Series, 2¾%, due 1973 (Note 3)	<i>314,963.13</i>	.....	.....	.....	.....	.....	<i>314,963.13</i>
Balance, December 31, 1943 (Exhibit A) (Note 2) ..	\$56,566,362.90	\$ 379,888.91	\$853,230.39 (Note 3)	\$1,973,058.94 (Note 6)	\$1,499,265.04 (Note 7)	\$14,168,555.26	\$87,637,364.36

Italics denote red figures.
 Explanatory notes are attached hereto.

THE PORT OF NEW YORK AUTHORITY

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1943

(1) Contingent liabilities and construction commitments at December 31, 1943 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, 1943	\$ 383,000
(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)	35,000
(d) Estimated cost of construction of certain highway connections and paving work, etc., relative to New Jersey approaches to the Lincoln Tunnel	500,000
(e) Estimated commitment in connection with proposed construction by The City of New York of a protective pier over the Lincoln Tunnel	600,000
(f) 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>\$5,176,000</u>

NOTE: In addition to amounts included above, it is estimated by the Authority as of December 31, 1943, that the cost to complete the North tube and New York approach of the Lincoln Tunnel will approximate \$1,000,000.

- (2) 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 revenue 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 for depreciation has been made in current or prior periods (except on ancillary equipment on which no depreciation has been taken since January 1, 1941).

Additions to facilities during the year ended December 31, 1943 consisted of expenditures for the construction of the North tube of the Lincoln Tunnel and included interest capitalized in the amount of \$686,057.88 (after deducting \$2,631.96 interest earned on unexpended construction funds) and general and administrative overhead capitalized in the amount of \$81,352.92.

The Authority, in prior years, in accordance with resolutions of the Commissioners, charged to investment in facilities, all net discount and expense incurred in connection with bonds and notes issued for construction purposes and no provision has been made for amortization of such debt discount and expense which aggregated \$3,509,080.45 at December 31, 1943. There was also capitalized in prior years, bond interest in the amount of \$1,879,829.47 (net of income earned on unexpended construction funds) applicable to period subsequent to the dates of official opening of the respective facilities, of which \$340,000 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 agreement 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 therefor in the accompanying financial statements.

The accumulated net revenues, as above defined, to December 31, 1943 are shown in the accompanying balance sheet under "Reserves".

- (3) When the Authority entered the New York State Employees' Retirement System in April 1935 it was decided that the liability for services rendered prior to that date would be met by annual payments to the System to be spread over a thirty year period. In addition to such payments, which are charged each year to operating expenses, the Authority in 1941 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. In connection therewith charges to operating expenses of \$815,550.08 were made in 1941 and a fund created in a like amount. With the decline in revenues, however, resulting from the war this latter policy was discontinued as of January 1, 1942 and the only addition to the reserve and to the fund since that date has been the amount of interest earned on securities in the fund. Payments to be made to the New York State Employees' Retirement System from 1944 through 1966 amount to approximately \$2,525,000 more than the amount provided therefor at December 31, 1943.

- (4) See accompanying Schedule 1 for information relating to funded debt.

NOTES TO FINANCIAL STATEMENTS—Continued

FOR THE YEAR ENDED DECEMBER 31, 1943

- (5) 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.
- (6) In accordance with the approval of the Commissioners, the Authority at December 31, 1943, 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 and sprinkler leakage 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, 1943, 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.

- (7) In 1943 the Authority, in accordance with a resolution of the Commissioners, created a "restoration and improvement reserve" by an appropriation of \$1,500,000 from 1943 revenues to provide for deferred maintenance and certain improvements, work on which had not been carried out due to the unusual conditions existing in the labor and material markets.

- (8) The following net expenditures incurred by the Authority in 1943 in connection with the refunding of its outstanding General and Refunding 3½% bonds have been charged directly to "Reserves applied to retirement of debt, etc." as appearing on Exhibit C:

Premium on General and Refunding 3½% bonds due 1976, called November 1, 1943 at 103%	\$415,950.00
Duplicate interest (\$80,879.18) on funded debt for September and October 1943 less income earned (\$10,682.88) during same period on proceeds of sale of General and Refunding 2¾% bonds due 1973.....	70,196.30
Sundry expenses	19,769.51
	<u>\$505,915.81</u>
Less: Premium on sale of General and Refunding 2¾% bonds due 1973.....	190,952.68
	<u>\$314,963.13</u>

There has also been charged to this reserve an amount of \$26,077.17 representing the excess of cost over principal amount of General and Refunding bonds retired through sinking fund during the year ended December 31, 1943.

SCHEDULE 1
THE PORT OF NEW YORK AUTHORITY
Statement of Funded Debt at December 31, 1943

[41]

	Amount Authorized (Less Principal Amount Retired)	AMOUNT OUTSTANDING AT DECEMBER 31, 1943		
		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 1944-1945 (\$800,000 due October 1, 1944)	\$ 1,600,000.00	\$ 1,600,000.00	\$	\$ 1,600,000.00
GENERAL AND REFUNDING BONDS (Note 1):				
Fourth Series, 3%, due 1976 (Note 2)	82,500,000.00	75,307,000.00	278,000.00	75,585,000.00
Fifth Series, 3¼%, due 1977 (Note 2)	58,639,000.00	43,487,000.00	.....	43,487,000.00
Sixth Series, 3%, due 1975 (Note 2)	46,093,000.00	45,436,000.00	657,000.00	46,093,000.00
Seventh Series, 2¾%, due 1973	14,281,000.00	14,281,000.00	.....	14,281,000.00
		\$180,111,000.00	\$935,000.00	\$181,046,000.00

NOTES:

- (1) At December 31, 1943, 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) Sinking fund payments due within one year from December 31, 1943, are as follows:

General and Refunding Bonds, Fourth Series	\$ 593,335.05
General and Refunding Bonds, Fifth Series	783,326.56
General and Refunding Bonds, Sixth Series	949,465.00
	\$2,326,126.61

