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:

With the end of hostilities in September, 1945, the Port Authority returned to its peacetime work of developing and protecting the terminal and transportation systems, and the commerce and welfare of the New Jersey-New York Port District. The port planning studies which we organized in 1943 to formulate our program for the Port’s return to a peacetime economy put us in a position to move forward immediately. Plans were ready for prompt execution. Within a few months after V-J Day, real estate had been acquired and the first contracts had been let for port terminal construction and the improvement of transportation facilities on both sides of the Hudson.

Despite severe curtailment of traffic in 1942, 1943 and 1944, the Port Authority was able to protect its credit position and emerge into the reconversion period with sufficient financial
strength to resume the States' work of port development on a self-supporting basis, without burden to the taxpayers.

The treaty obligation of the two States to go forward with a joint program for the development of this Port District requires capital expenditures running into hundreds of millions of dollars. Under the Port Compact of 1921 and its Comprehensive Plan of port development, the joint mandate of the States declared:

"The Port of New York Authority is hereby authorized and directed to proceed with the development of the Port of New York in accordance with said comprehensive plan as rapidly as may be economically practicable and is hereby vested with all necessary and appropriate powers not inconsistent with the Constitution of the United States or of either state, to effectuate the same except the power to levy taxes or assessments."

Only an Authority with a strong credit position can carry forward a port plan of such tremendous scope on a self-supporting basis. A weak port agency can be of no service to the two States, to the municipalities within the Port District, or to the thirteen million people who live in this Metropolitan area.

In its early days, the Port Authority was confronted with the States' mandate to go forward with this comprehensive development of the terminal and transportation facilities of the greatest port in the world, without credit, without revenue and without power to tax. It is a tribute to our predecessors on the Board and to the able and determined men who built our Staff that the Authority, under such a financial handicap, did not degenerate into just another anemic, ineffectual commission.
In this statutory report for the year 1945, a year in which we returned to our peacetime task of port development, it would therefore seem appropriate to recall once again those principles and purposes to which the two States pledged themselves in the Treaty of 1921:

Fundamental to the whole concept of the Port Authority and its work through these past twenty-five years, is the conviction that the economic welfare of the New York Metropolitan area and that of Northern New Jersey are inextricably woven together. Their individual prosperity or depression is dependent upon the prosperity or depression of the Port of New York. The entire reason for the existence of the Port Authority is that the whole Port area is an economic unit, that geographically all of its parts share in the same natural advantages, that historically their growth has been stimulated by the same forces, and that commercially they are closely knit together.

The spirit of the Port Compact of 1921, its purpose and objective, are based upon this regional approach. In that Treaty the two States specifically agreed that

"... the territory in and around the port has become commercially one centre or district."

The States agreed too that the Port could be developed only through the joint efforts of the two States and through their "cordial cooperation," and in Article I of the Compact

"they agree to and pledge, each to the other, faithful cooperation in the future planning and development of the Port of New York, holding in high trust for the benefit of the nation the special blessings and natural advantages thereof."
The Compact recites that
"a better coordination of the terminal, transportation
and other facilities of commerce in, about and through
the Port of New York"
would be beneficial to the nation as well as to the two States.
It recognizes that the proper development of the terminal
and transportation facilities of the Port requires
"the expenditure of large sums of money and the cordial
cooperation of the States of New York and New Jersey,"
and that
"such result can best be accomplished through the co-
operation of the two States by and through a joint or
common agency."
The Treaty created The Port of New York Authority with
power to finance, construct, maintain and operate all types
of terminal and transportation facilities. The Comprehen-
sive Plan of port development jointly adopted by the two
States in 1922 by way of amendment to the Compact de-
clares the Port Authority to be
"the municipal corporate instrumentality of the two
states for the purpose of developing the Port and
effectuating the pledge of the states in said compact."
From the very nature of our duties as Commissioners under
a bistate commitment to the regional development of the
whole Port area, it follows that we do not function as Com-
missioners for the development of the New Jersey part of
the area alone, or as Commissioners for the development of the
New York part of the area alone. Rather, each Commis-

sioner, from whichever State appointed, functions as a Commissioner for the development of the whole region. Any approach that attempted to match facilities, a brick for a brick, in New Jersey and New York, would be the antithesis of the regional development of the whole Port area that is intended by the Treaty.

The financing of these regional projects on a self-supporting basis has resulted in the construction over the past twenty years of new port projects representing a capital investment of over $300,000,000. The principles of Authority financing which we have established in the past, and the standards by which we will appraise the continued financing of port projects, are of fundamental importance to any understanding of the nature and character of the Port Authority. They may be summed up as follows:

1. The Authority method of revenue bond financing is a method by which government can supply or operate necessary public projects without increasing the general tax burden.

2. Its field is therefore those public or quasi-public projects which can earn their own way.

3. The question of whether private risk capital can be found to back the construction or continued private operation of a necessary utility is frequently its own signpost, indicating the choice between private operation and the Authority method of revenue financing.

4. Assuming that regulation in the public interest is adequate, the general economy of the nation and of its people has much more to gain by the private financing of utilities wherever private risk capital is ready and able to go forward.
5. In many cases of proper Authority financing, therefore, the project is in its very nature marginal. That is to say, with the aid of the immunities and advantages of operation by a public Authority, it holds the reasonable prospect of sufficient revenues to pay its operating costs and interest charges and to repay its capital investment, but holds no real prospect of profits. The revenue potential is neither attractive enough for private financing, nor so meager as to require general tax support.

Respectfully submitted,

[Signatures]

July 1, 1946 • New York, N. Y.
PORT PLANNING

The Port Authority Goes Forward with Unification of Terminal Facilities in the Port of New York

The Port Compact of 1921 which created The Port of New York Authority said:

"First: That Terminal operations within the port district, so far as economically practicable, should be unified;

"Second: That there should be consolidation of shipments at proper classification points so as to eliminate duplication of effort, inefficient loading of equipment and realize reduction in expenses;

"Third: That there should be the most direct routing of all commodities so as to avoid centers of congestion, conflicting currents and long truck-hauls;

"Fourth: That terminal stations established under the comprehensive plan should be union stations, so far as practicable; . . ."

The Compact stated that the Port Authority shall have "full power and authority to purchase, construct, lease and operate any terminal or transportation facility" in the Port District. At the same time the Compact authorized and directed the Port Authority "to proceed with the development
of the Port of New York" in accordance with the Comprehensive Plan. To enable the Authority to undertake such development, the Compact vested in the agency "all necessary and appropriate powers not inconsistent with the Constitution of the United States or of either state,"—except the power to levy taxes or assessments.

Looking forward to the end of the war, we initiated an intensive Port Planning program in 1943. It was undertaken in the faith that this great metropolitan harbor area could and must maintain its pre-eminence as the crossroads of world trade.

In 1944, an augmented staff of trade and transportation specialists in the Department of Port Development analyzed the impact on the Port District of war-induced changes in sea, land and air transportation. Every effort was made to estimate the port's postwar volume of commerce. During the past year our program for new freight and passenger facilities was advanced.

Major accomplishments of 1945 toward the realization of the Comprehensive Plan for port development included the preparation of plans and the beginning of field work for the world's two largest union motor truck terminals for merchandise freight. One of these terminals will be located in Manhattan, and the other in Newark.

_Construction of New York City's-First Union Motor Truck Terminal is Begun_

Aiming at a completion date in 1947, the Port Authority commenced construction activities for its New York Motor
Truck Terminal (Union Terminal Freight Station No. 2) at the war's end. Scarcity of building materials made progress difficult. But we were able to proceed with the demolition of buildings that occupied the terminal site between Spring and West Houston, and Greenwich and Washington Streets. Under an agreement dated August 31, 1945, the City agreed to close King and Charlton Streets between Washington and Greenwich Streets. The Port Authority agreed to continue to pay to the City the full amount of taxes it had received yearly on the terminal site land and buildings when it was taken over.

The Manhattan terminal is the initial unit in a series of union truck freight stations to be built by the Authority in New Jersey and New York. The $4,850,000 facility is expected to go far toward filling the need for unified and coordinated movement of the merchandise freight now entering and departing from New York City. Since about two-thirds of such freight is now motor-carried, the Port Authority terminal is greatly needed in Manhattan. The new freight station will expedite the handling of such less-truckload merchandise, reduce street-traffic congestion, and lower local trucking and terminal costs for over-the-road common carriers. It will help prevent surcharges in truck freight rates that would penalize business and labor in the Port District.

The terminal is ideally located to handle the greatest concentration of miscellaneous freight in the Port District. A few blocks from the Holland Tunnel, and close to the main north and south trucking arteries on the West Side, it will also provide easy access to store-doors in the merchandise freight center south of Fifty-ninth Street. It is near the proposed southerly extension of the West Side Highway to the Brook-
lyn-Battery Tunnel. The proposed crosstown highway will also be accessible to the terminal. It is convenient to steamship piers.

Capable of handling about 2,000 tons of merchandise freight daily, the Port Authority's Manhattan Truck Terminal will have off-the-street bays for 144 trucks. There will be a freight platform 800 feet long and 80 feet wide. This platform will be equipped with an overhead elliptical chain conveyor serving both sides of the island platform by means of trailers. It is estimated that the rehandling of freight will be held to 15 per cent. This is an increase in efficiency of 25 per cent over any existing terminal. Our studies indicate an annual savings through the use of this terminal of 1,830,000 truck miles and 15,600,000 truck tire miles. The efficiency of roadhaul units will be increased 20 per cent by prompt turnaround.

The Port Authority's truck terminal is of prime importance in helping to solve the problem of Manhattan's increasing street traffic congestion. Local shippers and receivers will be able to pick up and deliver consolidated consignments from many over-the-road carriers with their own local and city trucks. A fleet of smaller trucks will operate contract pickup and delivery service with efficiently routed, consolidated loads between the terminal and steamship piers and shippers' places of business.

The roof of the terminal will provide parking space for seventy complete tractor-trailer units. Through this roof-parking, vehicles awaiting loading at the terminal will be taken off the street.
The Newark Terminal

A 29-acre site was acquired immediately south of the Newark baseball grounds and east of Route 25 for the $2,650,000 Newark Motor Truck Terminal authorized by the Commission in August, 1945. Board approval of a Port Authority Union Motor Truck Terminal in Newark followed public hearings on the proposal in Newark on May 25, 1945.

Governors Walter E. Edge of New Jersey and Thomas E. Dewey of New York endorsed the truck terminal project. The hearing generally confirmed previous Port Authority findings on the public need for such a union truck freight station in the Northern New Jersey area. Representatives of public agencies and planning boards, trade associations, individual industries and motor carriers stated that the terminal was greatly needed. They said it would eliminate duplication of pickup and delivery trucks at shipping platforms, expedite the movement of merchandise freight, and hold down shipping costs. Out of a total of sixty-four oral and written statements on the hearing record, sixty-one endorsed the proposal.

It is anticipated that the Port Authority’s Newark terminal will result in savings that will help maintain the competitive position of industrial and distribution centers in Northern New Jersey. With a total daily capacity of 2,500 tons, the truck freight station is expected to handle a minimum daily volume of 1,600 tons when it is opened early in 1947. This should bring about economies in truck transport costs for terminal and pickup and delivery operations of 60 to 90 cents a ton, or a total of $288,000 to $432,000 on the anticipated annual tonnage.
High motor freight rates between communities in Northern New Jersey and various sections of the country seriously affect the ability of shippers and receivers of freight in this territory to compete with other regions in producing and distributing goods. The Port Authority's Newark Union Motor Truck Terminal will therefore be of real benefit to business and to wage earners in the entire community.

The 1,100-foot by 200-foot terminal structure will be furnished with a freight platform 1,000 feet long and 100 feet wide. It will provide 175 back-up spaces for local and long-haul trucks. As in the New York terminal, this freight platform will be equipped with an elliptical chain conveyor system for platform trailers that will transfer freight on wheels from one motor truck to another. There will be adequate parking space, offices for truck operators, and a maintenance and repair station with facilities for gasoline and oil servicing. The terminal property is large enough to permit expansion as a concentration point for less-than-carload rail freight, water and air freight, and any other mixed merchandise freight requiring platform consolidation for movement outside the terminal area.

The terminal will be operated by the Port Authority. Consolidated local pick-up and delivery service will be available through local contract zone operators. A part of the terminal will be reserved as a public freight station to which any shipper can send his own truck or contract truck hired by him, to pick up or deliver his freight to the over-the-road carriers. Any local private carrier will be permitted to use the public freight station section of the terminal for pickup or delivery of the shipper's freight in place of the contract pickup and delivery.
THE PORT AUTHORITY'S
UNION MOTOR TRUCK TERMINAL
UNION TERMINAL FREIGHT STATION №3

THE FIRST IN A SERIES OF
UNION MOTOR TRUCK TERMINALS
TO BE BUILT BY
THE PORT OF NEW YORK AUTHORITY
IN
NEW JERSEY

LOCATION —
NEWARK, N. J.
NORTH OF DELANY ST., EAST OF ROUTE 25 &
SOUTH OF RUPPETT STADIUM

SIZE —
TERMINAL STRUCTURE  200' x 1150'
FREIGHT PLATFORM  100' x 1500'
WITH AUTOMATIC CONVEYOR

CAPACITY —
TRUCK BACK-UP SPACES  160
VOLUME PER DAY  2500 TONS
A payment in lieu of taxes will be made to the City of Newark in a sum equal to the taxes previously levied annually against the terminal property acquired by the Authority. This arrangement, which will save the City harmless from tax loss, is exactly the same as that in effect for the past fourteen years for our Union Railroad Terminal in Manhattan. The Authority will also pay for certain street improvements to be installed by the City of Newark.

Possible future construction by the Port Authority of additional union motor truck terminals in Northern New Jersey will depend upon the development of over-the-road truck operations in the area. Our studies have shown that 51 per cent or 2,500 tons of less-truckload freight are concentrated in the Essex-Union area. Thirty-six per cent or 1,800 tons are in Hudson, 9 per cent or 450 tons in Bergen-Passaic, and 4 per cent or 200 tons in Middlesex.

The City of Newark Requests the Port Authority to Survey the Possibility of the Authority's Administration of Newark Airport and Port Newark

The regional character of the Port Authority was emphasized when, on December 27, 1945, the City of Newark requested us to survey the possibility of our administration of the Newark Airport and Port Newark. In the news and editorial comment which followed Newark's request for the survey, and our agreement to make the study, the regional responsibilities of the Port Authority were highlighted. It was pointed out that the furnishing of efficient and adequate air transport terminal facilities in the Port District was a regional and not a local problem.
Our Commissioners were thoroughly in accord with the view expressed to the City of Newark by its consulting engineers as to the tremendous value of the airport and seaport, not only to the City of Newark, but to the whole Port District and the two States. Board approval for making the survey was based upon the statutory duty of the Authority, as the joint Agency of the States of New Jersey and New York, to render advice and assistance in connection with port and harbor problems. Our report is expected to be completed for transmittal to the City of Newark in July, 1946.

Newark's consulting engineers, who recommended the desirability of Port Authority development of these great Newark port and airport facilities, reported that there was an urgent need in the immediate future for the construction of new improvements and facilities which they estimated would cost at least $46,000,000.

The Port Authority Continues its Efforts to Help Solve the Mid-Manhattan Traffic Problem Through the Construction of a West Side Union Bus Terminal

In 1945 the need became more urgent than ever to eliminate the movement through the congested city streets of the more than 2,000 intercity buses that enter and depart from midtown Manhattan daily. The increase in traffic following the relaxation of restrictions against the use of gasoline at the war's end pointed up the problem.

We continued our efforts throughout the year to bring about the construction of a union bus terminal west of Eighth Avenue, and so outside of the congested traffic area.
Such a terminal would provide New Jersey commuters and other bus travelers with the most modern bus station in the country and would save travel time. It is estimated that 90 per cent of the 50,000 bus passengers entering and departing from mid-Manhattan each day are residents of Hudson, Bergen, Passaic and Essex Counties, traveling to work, or to shopping and amusement centers in New York. Most of the others are travelers to plants, businesses and recreation centers in New Jersey.

Such a terminal would be an important factor in relieving the intolerable heart-of-the-city traffic congestion which at present causes critical traffic delays to all motorists and bus travelers who must pass through the section. This traffic congestion costs businessmen in the area an estimated million dollars a day. The establishment of the new terminal would eliminate over two million miles of bus travel in the midtown area. It would provide the equivalent of two and one-half additional crosstown streets.

The proposed “Grand Central Bus Station” would occupy the entire 200- by 800-foot block extending from Fortieth to Forty-first Streets, and from Eighth to Ninth Avenues. The terminal would be connected by overhead ramps with the Lincoln Tunnel, which handles 75 per cent of the intercity buses. It would in time replace the eight individual terminals now scattered from Thirty-fourth to Fifty-first Streets as far east as Sixth Avenue. Short-haul buses, which make up 85 per cent of the traffic, would use the ramps. They would be taken off the streets of Manhattan. Long-haul buses would use Fortieth and Forty-first Streets only as far as Ninth Avenue. Traffic no longer would be jammed by the cumbersome movement of huge buses through streets and across busy
intersections, by their right- and left-hand turns, or their passage over sidewalks to reach their individual stations.

The central location of the terminal, only a block from Times Square, would permit bus passengers to reach important business, amusement and shopping centers with the shortest possible walk to subways and surface transportation. There would be direct underground connections to the Eighth Avenue, Seventh Avenue, Broadway-BMT and Queensboro subway lines, and the IRT shuttle to Grand Central Station and the Lexington Avenue subway.

_The City of New York Must Establish a Policy Regarding the Location of Bus Terminals in Congested Traffic Areas_

When private capital was unable to provide a union bus terminal west of Eighth Avenue, outside of the congested area, the City of New York requested the Port Authority to undertake the venture. The New York State Post War Public Planning Commission in June, 1944, advanced $180,000 for preliminary planning. We proceeded at once to do everything we could toward the construction of the terminal facility to furnish the earliest possible and most effective traffic relief.

For more than a year and a half we have tried to work out the most efficient and economical plans for such a union bus terminal. We have had the finest cooperation of most of the bus companies. The exception has been the Greyhound Corporation, which desires to build its own large, new terminal opposite the Pennsylvania Railroad Station at the point of heaviest traffic density in the city—on Thirty-
fourth Street, east of Eighth Avenue. The Greyhound’s position has been supported by Commissioner Robert Moses.

The crux of the bus terminal situation in 1945 was the necessity for formal recognition by the City Planning Commission of the exceptionally congested traffic area in mid-Manhattan east of Eighth Avenue. The enactment by the City Planning Commission in September, 1945, of Section 21-D of the Zoning Resolution, was a step in this direction. Under this section the Commission could designate such areas within which no new bus terminal could be constructed or existing terminal enlarged. Section 21-D was, in effect, approved by the Board of Estimate on October 25, 1945, by a vote of fifteen to one.

As we have publicly stated again and again, the Port Authority cannot undertake to finance and construct this greatly needed public improvement unless and until such exceptionally congested traffic areas are established. It would not be possible for us to persuade competitive bus companies to come into our terminal west of Eighth Avenue so long as any one of them was given a preferred location east of Eighth Avenue.

The Outlook on the Proposed West Side Bus Terminal

Mayor Fiorello H. LaGuardia and other city officials have been particularly concerned with the need for traffic relief in the midtown area. They have been active in urging the establishment of city policy that would permit the Authority to build a union bus station west of Eighth Avenue to help alleviate the traffic problem. The metropolitan press has
consistently supported the bus terminal proposal as an essential traffic relief measure.

With the termination of Mr. LaGuardia’s mayoralty on December 31, 1945, we faced with confidence the judgment of Mayor William O’Dwyer on the need for mid-Manhattan traffic relief that would be afforded by this union terminal. As the year closed, we were hopeful that the City Planning Commission would designate such congested traffic areas in the public interest.

If and when such zoning policy limiting the construction of new bus terminals or the enlargement of existing terminals to the non-congested area west of Eighth Avenue is established, the Port Authority will proceed forthwith with the financing and construction of the world’s largest union bus terminal. This union bus terminal would be built in reliance on the maintenance of that policy by the City.

The Port Authority Proposes to Build a New Holland Tunnel Exit Viaduct for the Relief of Tunnel and Local Jersey City Traffic

During the year the Commissioners authorized the construction of a new Holland Tunnel exit viaduct. It will furnish both the tunnel and local Jersey City traffic one-way routes between the Holland Tunnel plaza areas, the Jersey City underpass, and the upper marginal streets of that underpass to Journal Square. At the time of its authorization the cost was estimated at $2,350,000. Its construction has been approved by the State of New Jersey, the New Jersey Interstate Highway Department, and the City of Jersey City.

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Preliminary sketch of Port Authority Bus Terminal showing overhead ramp connections with Lincoln Tunnel
New Holland Tunnel Exit Viaduct will furnish tunnel and local Jersey City traffic one-way routes between the Holland Tunnel plaza areas, the Jersey City underpass and the upper marginal streets of that underpass to Journal Square.
The viaduct will extend about 1,700 feet from Fourteenth Street and Jersey Avenue to a point near Hoboken Avenue, Jersey City. There it will form a junction with the existing viaduct structure on Twelfth Street. It is expected that the new roadway will be ready to carry traffic in 1947.

The present traffic situation is particularly serious in the westbound rush hours, and frequently results in a backup of traffic down Fourteenth Street toward the Holland Tunnel exit. Any breakdown or other stoppage on the existing viaduct during peak traffic periods causes a lengthy detour by way of Newark Street and Hoboken Avenue. The new viaduct will help relieve this situation.
Port Promotion and Protection Activities were Accelerated

The past year witnessed an intensification of our activities with respect to the promotion and protection of the Port of New York. One of the statutory functions and duties of the Port Authority is the promotion and development of the most efficient transport into, out of and through the Port District. We look to the future of transport, not to the past. Be it by rail, road, water or air, we ask only—"What or how many will it carry? When will it get there? What is the rate?"

We look to the various mediums of transport as means, rather than as individual ideologies. Each has its function in the great and interdependent network of the port’s traffic. We support that individual function as we see it in the public interest—without favor, without fear, and in the confident belief that all types of transport will prosper or decline with the general prosperity or depression of the whole port economy.

The Port Authority Opens Its First Field Office in Chicago

On October 1, 1945, the Port Authority opened its first field office in Chicago to promote and protect the commerce of the Port of New York.

Establishment of a Chicago office was approved by the Commissioners in May, 1945, as part of our program to meet
the intensified competition from rival South Atlantic and Gulf ports for Midwest commerce. This port competition was stepped up as a result of the re-routing of freight away from New York during the war to avoid submarine activity. The ports which benefited from such re-routing have done everything they could to maintain their new-found traffic.

Our Midwestern office is similar to offices of other port agencies previously set up in Chicago. Through that office we keep in touch with shippers in the Central Western area. We work closely with railroads and steamship lines to encourage the routing of freight through the New Jersey-New York gateway. Personalized service is made available to shippers. Data on shipping conditions, schedules and other information and assistance are furnished promptly.

Here is a spot check on typical service reports from the Chicago office:

Furnished information on transportation schedules and rates via the Port of New York . . . investigated refrigerated space available for fresh fruits in South American vessels . . . distributed advance information bulletins on traffic matters . . . persuaded New York steamship lines to reopen former Midwestern offices . . . advised shipping lines of plans of mail order house to open stores in South America and South Africa . . . listed for New York transportation lines points of origin for shipment of over 500,000 tons of flour to foreign destinations . . . followed leads on potential shipments from the Midwest to encourage shipments through New York harbor, including Russian purchase of a 500-mile pipeline from a Wisconsin manufacturer . . . cleared up misinformation on New York's ability to handle large volume of frozen meats for export . . .
Conferred with Midwestern customs brokers and forwarders on development of new shipping routes. Informed railroads and shipping lines on prospective government foodstuff shipments to foreign countries. Informed importer on free storage of wood pulp in New York harbor, arranged with railroad to designate certain piers for storage and handling of imported wood pulp. Arranged for foreign visitors to inspect facilities of Port of New York for purpose of comparing with competing ports. Contacted individuals and groups of small and large Midwestern manufacturers to promote their use of Port of New York. Advised shippers on local New York harbor conditions such as railroad embargoes, labor and lighterage.

The manager of our Chicago office is Mr. George Weiss, an outstanding expert in the fields of ocean and railroad transportation. He has had an extensive experience in the Port of New York as well as in Chicago, and was formerly a marine news editor.

The Chicago office was introduced to the New Jersey-New York Port through two luncheon-meetings, one in Newark, and the other in New York City. A similar luncheon-meeting was held in Chicago, where Mayor Edward J. Kelly extended a warm welcome to the Port Authority. He was joined in this welcome by the business community of the great Midwestern center of commerce and shipping.

*Port of New York—World Air Center*

The Port Authority continued its vigorous efforts during the year for the certification of the Port area as the primary foreign and domestic terminal of the airways and for the de-
Development of facilities and services to help make this port the crossroads of the world's air lanes.

During 1945 the Port Authority intervened on behalf of the New Jersey-New York Port area in eight cases before the Civil Aeronautics Board, in connection with the establishment of direct air trade routes from the Port of New York to traffic centers in Latin America, Europe, South Africa and the Orient.

The Port Authority Proposes a Domestic Air Route Pattern

The need for non-trunkline domestic air service for the Port District prompted the Port Authority's intervention before the Civil Aeronautics Board on behalf of local service between the Metropolitan area and New England and eastern New York State, the Middle Atlantic States, Ohio and points beyond. In addition, the Authority filed a petition for leave to intervene on behalf of fast air passenger and freight service between the Port District, Atlanta and New Orleans.

The Port Authority's interest in improved domestic air route service is in line with its previous support of the successful application of Northwest Airlines for the establishment of a fourth transcontinental air route. This route connects New York for the first time by direct, one-carrier service with the six northwest border states.

Air transportation in the United States has only scratched the surface of its major market. At present less than 2 per cent of travel by air is for distances of less than 250 miles, while such travel accounts for 99 per cent of automobile use. The sound development of domestic air transportation de-
pends in large measure upon its ability to tap the local communities not touched by the great trunkline services. This would spread the advantage of speedy transportation of passengers, cargo and mail to all the people of the country.

In a brief filed with the Civil Aeronautics Board in November, we protested recommendations by Board Examiners that only three of forty-four communities in New England and upper New York State with populations ranging from 15,000 to 100,000 should be provided with direct air transport service to the Port District. We contended that in this first major case involving a regional air service pattern for a small, densely populated area, it was important to determine the extent to which the people in small communities shall enjoy the benefits of air transportation.

Just as the Post Office Department found it necessary to establish rural free delivery service radiating from our major cities and towns, so we called upon the Board to supplement trunkline routes with complementary non-trunkline air service. Such non-trunkline service would end the air-isolation of cities and towns which suffer the misfortune of lying between, but not on the trunkline routes. It would accommodate fast transport between small and medium-sized communities and their major market center. At the same time it would serve interchange traffic between such communities and major trunkline junction points.

The Port Authority has an Active Interest in Airport Development in the Port District

At the hearings on Federal-aid airport legislation before the Senate Committee on Commerce in March, 1945, the
Port Authority urged that such legislation provide that municipalities and counties as well as states should deal directly with the Federal Government in developing large terminal airports. At the same time, we protested that the unrestricted use of Federal-aid airports by military and naval aircraft without charge would seriously affect the control of airport operations and the financing of local airport construction.

We kept in touch with state, county and city departments concerned with obtaining the maximum aid from the legislation. In addition, advice and information were furnished on request to various cities including New York, Newark, Jersey City and Yonkers.

We continued to cooperate with the Regional Plan Association as a member of the steering committee in preparing a Regional Airport Survey covering the private fields as well as commercial airports to be recommended in this area. The Committee includes representatives of local counties and other interested agencies. We furnished coordinating service information, and technical advice for the use of the committee.

*Miscellaneous Air Transportation Interests*

The Port Authority continued its active participation in various air transportation activities. We made a study of air parcel-post service and the possible expansion of air-mail service as a benefit to trade and business in the Port area. Another study concerned non-scheduled air services now offered at airports throughout the region. We cooperated
with a research group on a survey of air cargo potential between the New Jersey-New York district and Miami and San Francisco.

Following our practice of full cooperation with the airlines, we participated in discussions regarding the ground-handling of freight and passengers, including the need for additional off-line air terminals, bus and limousine service to the airports, and baggage handling.

The Port Authority Urges the Restoration of Coastwise Shipping

The Port Authority estimates that the livelihood of about 250,000 workers in the Port District depends upon the operation of the Port of New York. An additional 150,000 workers are employed by port industries. These figures represent about one out of ten of the employed workers in the Metropolitan area. With their families and dependents they total over a million people. One-third of the prewar activity of the harbor was related to domestic shipping, carrying cargo and passengers on regularly scheduled routes and sailings. Adding bulk cargo such as oil, sulphur, coal and phosphates, the domestic tonnage handled in the Port of New York before the war far exceeded the import-export commerce. It is obvious that the resumption of this coastwise shipping activity is essential to the welfare of the port community.

We therefore recommended to the Congress the establishment of an adequate fleet of vessels, the modernization of boats, terminals and equipment. The Ships Sales Bill as reported out of the Congressional Committee did not embody
all of our recommendations. But it satisfied most of the principal requirements of coastwise operators for replacement of tonnage at a reasonable purchase price.

At the request of the War Shipping Administration the Authority prepared an economic study on the justification for resumption of coastwise services suspended during the war because of the requisition of ships and equipment by the Government. In the preparation of this study we had the cooperation of steamship lines and shippers. Our report will be presented to WSA in January, 1946.

The influence of domestic shipping goes far beyond the Port of New York to about fifty other ports in the United States. It ranges from Portland, Maine to Portland, Oregon, and to communities several hundred miles back of the ports where shipments originate.

The Port Authority emphasized in Washington the need for protection of domestic shipping operations against destructive competition. It was pointed out that it was imperative for the Interstate Commerce Commission to prevent the railroads from "raiding" the water lines by selective cutting of rates designed to put the water lines out of business, or by a refusal to agree to joint through rail-water combinations. In recent years the Authority has consistently fought to preserve rate relationships which would make possible the resumption of domestic shipping. In this effort we have been joined by other Atlantic and Gulf port organizations, shippers' groups and steamship lines.

We supported the application of the War Shipping Administration to the ICC for authority to operate coastwise and intercoastal service through agents holding certificates of convenience and necessity.
The Port Authority Intervenes Before the Interstate Commerce Commission in Protection of the Port of New York

During the year the Authority maintained constant vigilance on rail, truck, and shipping rate developments which would adversely affect the economic structure and competitive position of the Port of New York.

We appeared before the Interstate Commerce Commission on behalf of several proceedings. These included an attempt to restrict the application of ocean-rail rates from North Atlantic ports to the southwest. The Port Authority's protest was supported by shipper groups within the Port District. In August, the ICC Examiner recommended cancellation of the tariff amendment.

The ICC upheld the Port Authority's position in its intervention in a case where the Government sought rates which would separate from the linehaul rates, the cost of wharfage, and loading and unloading to and from cars at Army Base Piers 1 and 2 in Norfolk, Va. If adopted, such separation would have seriously disrupted the entire rate relationships of the North Atlantic ports.

For the third time in the long fight which has been waged in this connection, the rail carriers undertook to divert from the coastwise carriers their important less-carload merchandise traffic by publishing a set of all-commodity rates from New York to southern gateways. Following Port Authority protest to the ICC, the tariff schedule was suspended and hearings announced. The rail carriers withdrew the tariff and the hearings were cancelled. In December, the railroads indicated that they would renew their proposal.
The ICC released its report on class rate revision, increasing northern rail rates 10 per cent and reducing southern rates 10 per cent. After a series of meetings with steamship interests and rail carriers, the Commission clarified the order so that the decision did not apply to import, export, coastwise or intercoastal traffic.

After a nine-year campaign in which the Port Authority participated, the tariffs of rail carriers at all North Atlantic ports were amended to adopt compensatory and uniform storage charges in accordance with the ICC’s initial order which applied only at the Port of New York. With the tariff revision at the Port of Albany during the year, all ports have now adopted the uniform tariff. This eliminates concessions previously granted at ports competitive with New York.

In 1945, the New England Motor Rate Bureau published a tariff providing for increased truck rates between New England points and various zones within the New York Port District. This would have resulted in a disruption of the zone relationship within the Port. It would have been contrary to the Commission’s previous decisions. As a result of the Port Authority’s protest to the ICC in September, the proposed tariff schedule was suspended until March, 1946. In December the Port Authority, with shipper groups and OPA representatives, met with the New England motor carriers with a view to reconciling the differences and offering proposals to the carriers as to how this might be accomplished, without the necessity for further litigation.

At a meeting of the Trunk Line Association, the Authority protested issuance by the eastern rail carriers of a proposal for drastically increased charges for towage beyond the free
lighterage limits. We advocated an unchanged tariff, at least until harbor activities return to normal levels. So far, the proposed increase has not been put into effect.

With the American Association of Port Authorities, we advocated the amendment of the ICC Act to prevent railroads from continuing their present practice of selective rate-cutting for the purpose of eliminating other types of carriers. Such laws would provide that all railroad rates, when established in competition with water carriers, shall be on a reasonably compensatory basis and that when all-rail rates are reduced, comparable reductions should be provided on water-rail rates in order to maintain fixed differential relationship.

The Port Authority's Interest in Port Promotion and Protection Covers Wide Variety of Activities

Under our statutory obligation we participate in any activity which, in the opinion of the Commissioners and the Staff, affects the port welfare. During the year the Port Authority continued its detailed studies on the economic effect on the New Jersey-New York Port of the possible construction of the St. Lawrence Seaway. The Commissioners adopted a resolution opposing the Seaway, although no position was taken by them on the power feature of the project. Our opposition to the project will be submitted to the Congress when the Seaway is up for consideration in 1946. We also opposed construction of the New Jersey Ship Canal, because of lack of economic justification, and interference with highway and rail traffic crossing and water supply needs.

At a public hearing held by the Corps of Engineers in
December, the Port Authority recommended the deepening of the Arthur Kill Channel to 35 feet in the vicinity of Linden and Carteret, New Jersey. Because of the growth of tonnage and the increase in the size of ships using the New Jersey-New York channels connecting with Upper New York Bay via the Kill van Kull, the Arthur Kill and Raritan Bay, it is necessary and desirable to improve these channels. Actually the marine tonnage using the channels in 1939 was greater than the combined tonnage of the ports of Baltimore and Boston.

Within the framework of the Truck-Pier Coordinating Committee, the Port Authority met with motor carriers, steamship line representatives and shippers in an attempt to coordinate trucking and steamship activities with a view to reducing delays to motor carriers at steamship piers. We made a record of available pier facilities, as a service to those seeking information during the period when Government occupancy of many piers made them difficult to obtain.

The Port Authority Intensifies its Highway and Traffic Planning Program

Conferences were held with the Public Roads Administration, the New Jersey and New York State Highway Departments, and municipal agencies in connection with the development of a comprehensive highway development program. Such a program was made possible to a great extent by inclusion in the Federal highway aid bills of a formula assuring that a large portion of the funds would be allocated for use in urban areas. The formula, which will approxi-
mately double the amount provided under the original proposal, was recommended to Congress by the Port Authority in 1944.

At the request of the New Jersey State Highway Commissioner, data and suggestions were furnished to relieve and supplement the overburdened Route 25 by the construction of Route 100, and in particular, the trans-Meadows highway section of that new route to the Lincoln Tunnel.

Members of the Staff participated in a series of dinner meetings in New Jersey at which State Highway Commissioner Spencer Miller, Jr. presented to important individuals and groups his postwar highway program in which Route 100 has top priority, and Route 4 Parkway, to run from the George Washington Bridge to South Jersey, has second priority.

New Jersey Route S-3

The Port Authority produced and distributed 75,000 directional maps to aid in guiding motorists in the use of New Jersey Route S-3. This is a new two-mile connecting link between New Jersey Route 17, Ridge Road, and Route 3, crossing Berry’s Creek. It was opened to traffic in August after a long delay due to wartime building difficulties. The distribution of the maps was a part of the Port Authority’s program of cooperation with the New Jersey State Highway Commission over the past several years in the planning and construction of S-3. Two and one-half miles shorter than the old route, S-3 saves ten minutes in travel time. It eliminates a railroad grade crossing between nearby New Jersey communities and the Lincoln Tunnel and midtown Manhattan.
The Port Authority Urges the Government to Quiet Title of States to Their Submerged Lands

The Port of New York Authority joined with the American Association of Port Authorities in urging Congress to take favorable action to "quiet permanently" the title of states to their lands under tidal and navigable waters. The Association was represented in Washington by our General Counsel who has been active in guiding its efforts in this connection.

Our support of this legislation arises from our confidence that the states and their grantees have the right and clear title to lands beneath navigable waters within their territorial limits.
Port Authority Bridges and Tunnels Return to Peacetime Service

Three-fourths of the vehicles that used our bridges and tunnels during the first half of 1945 represented transportation essential to the successful conduct of the war in its final, crucial months. With the termination of hostilities on September 2, 1945 these interstate arteries of our greatest wartime port were returned to their peacetime duties. Once more, the passenger cars, buses and trucks traveling between the great States of New Jersey and New York carried passengers and materials in peacetime pursuits. Once more, the George Washington Bridge, the Lincoln and Holland Tunnels spanning the Hudson River, and the Bayonne and Goethals Bridges and Outerbridge Crossing connecting New Jersey and Staten Island, were symbols of the close cooperation between two states in a democracy at peace with the world.

Continuing its recovery from several years of light traffic, the total traffic volume for the six Port Authority crossings in 1945 was 30,073,000 vehicles, an increase of 2,838,000 or 10.4 per cent over the 27,235,000 vehicles that used the facilities in 1944. Traffic for the year was 527,000 vehicles under the last peacetime year, 1941. The increase in traffic coincided with the lifting of restrictions against the use of gasoline on August 16, 1945.

Toll revenues for 1945 were $17,519,000, an increase of $1,530,000 or 9.6 per cent over 1944. Although traffic volume was somewhat less in 1945 than it was in 1941, toll revenues
during the past year were $461,000 or 2.7 per cent higher than the $17,058,000 collected in that previous peacetime year. This is explained by the fact that a greater number of vehicles in the higher toll categories used the facilities in 1945.

A breakdown of traffic by classes of vehicles is shown below.

Details of traffic and revenue for all Port Authority bridges and tunnels are shown in tabular form elsewhere in this report.

<table>
<thead>
<tr>
<th>Traffic Types</th>
<th>1941</th>
<th>1944</th>
<th>1945</th>
</tr>
</thead>
<tbody>
<tr>
<td>Passenger Cars</td>
<td>24,139,000</td>
<td>19,860,000</td>
<td>22,408,000</td>
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<tr>
<td>Buses</td>
<td>1,824,000</td>
<td>2,123,000</td>
<td>2,122,000</td>
</tr>
<tr>
<td>Trucks</td>
<td>4,637,000</td>
<td>5,252,000</td>
<td>5,543,000</td>
</tr>
<tr>
<td>Total</td>
<td>30,600,000</td>
<td>27,235,000</td>
<td>30,073,000</td>
</tr>
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</table>

High Standard of Service is Maintained

The improved level of revenues in 1945 made possible the resumption of proper maintenance schedules and necessary rehabilitation of the Port Authority facilities. While exercising economy and care in resuming its peacetime maintenance program, the Operating Department was able to abandon severe restrictions made necessary by declining revenues, which had drastically limited rehabilitation and improvement during the early war years. During the first half of the year we were handicapped by wartime manpower and
material shortages. By the end of 1945, however, all essential services had been restored and maintenance requirements met, so far as this was possible under postwar scarcity of essential materials.

Operating Expenses Increase

Operating expenses during 1945 were $5,900,500, excluding the Grain Terminal, as compared with $4,649,000 in 1944, an increase of more than $1,251,500, or 26.9 per cent. For the most part this rise was brought about by increased payments to the Pension Deficiency Reserve, and an increase in personnel resulting principally from the opening of the North Tube of the Lincoln Tunnel on February 1, the restoration to service of the 178th Street Tunnel on November 9, and our expanded port development and promotion program.

Cause of one of the Port Authority's most troublesome operating "headaches" was the fact that most automobiles on the road in 1945 were old, many having been in use for over ten years. The average age of cars was over seven years, and almost all cars in existence were over four years old. The end of the war by no means brought an immediate solution to the problems of worn engines, replacement parts and new tires. In 1945 we suffered the burden of the greatest number of tunnel stoppages in the history of our facilities—almost 10,250 stoppages, or one for every 1,800 vehicles. This was an increase of 25 per cent over the previous year, and three times the peacetime level. On December 26, 1945, eighty-one stoppages occurred in the Holland Tunnel in twenty-four hours; sixty-two required tractor service. This compared
<table>
<thead>
<tr>
<th>Year</th>
<th>Passenger Cars</th>
<th>Buses</th>
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</thead>
<tbody>
<tr>
<td>1945</td>
<td>9,022,747</td>
<td>260,216</td>
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<td>1944</td>
<td>8,427,725</td>
<td>266,378</td>
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<td>1941</td>
<td>11,117,010</td>
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**HOLLAND TUNNEL**

<table>
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<th>Year</th>
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<tr>
<td>1945</td>
<td>4,194,603</td>
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<tr>
<td>1944</td>
<td>3,547,784</td>
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<td>1941</td>
<td>3,148,056</td>
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**LINCOLN TUNNEL**

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<th>Year</th>
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<td>1944</td>
<td>5,713,179</td>
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<td>1941</td>
<td>7,920,644</td>
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**GEO. WASHINGTON BRIDGE**

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<tr>
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<td>1944</td>
<td>2,147,035</td>
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<td>1941</td>
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**STATEN ISLAND BRIDGES**

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<tr>
<td>1945</td>
<td>22,382,565</td>
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<td>1944</td>
<td>19,835,723</td>
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<td>1941</td>
<td>24,114,183</td>
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**ALL FACILITIES**

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<tr>
<td>1945</td>
<td>2,122,327</td>
</tr>
<tr>
<td>1944</td>
<td>2,122,846</td>
</tr>
<tr>
<td>1941</td>
<td>1,824,360</td>
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*NOTE: 1941 figures used as base of comparison with peacetime.*
<table>
<thead>
<tr>
<th>Year</th>
<th>TRUCKS Number</th>
<th>OTHER Number</th>
<th>TOTAL VEHICLES Number</th>
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<td>3,105,832</td>
<td>9,071</td>
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<td>1944</td>
<td>2,951,238</td>
<td>10,102</td>
<td>11,655,443</td>
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<td>1941</td>
<td>2,826,556</td>
<td>12,304</td>
<td>14,231,415</td>
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<tr>
<td>1945</td>
<td>1,178,108</td>
<td>4,589</td>
<td>6,512,788</td>
</tr>
<tr>
<td>1944</td>
<td>1,016,978</td>
<td>4,063</td>
<td>5,708,006</td>
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<tr>
<td>1941</td>
<td>694,071</td>
<td>3,581</td>
<td>4,681,157</td>
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<tr>
<td>1945</td>
<td>791,907</td>
<td>7,244</td>
<td>8,332,252</td>
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<td>1944</td>
<td>755,674</td>
<td>6,588</td>
<td>7,137,130</td>
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<td>1941</td>
<td>788,823</td>
<td>5,969</td>
<td>9,379,901</td>
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<tr>
<td>1945</td>
<td>466,846</td>
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<td>2,829,709</td>
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<tr>
<td>1944</td>
<td>527,634</td>
<td>3,915</td>
<td>2,734,182</td>
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<td>1941</td>
<td>328,012</td>
<td>2,708</td>
<td>2,308,094</td>
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<tr>
<td>1945</td>
<td>5,542,693</td>
<td>25,030</td>
<td>30,072,615</td>
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<td>1944</td>
<td>5,251,524</td>
<td>24,668</td>
<td>27,234,761</td>
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<tr>
<td>1941</td>
<td>4,637,462</td>
<td>24,562</td>
<td>30,600,567</td>
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## TOLL REVENUE

<table>
<thead>
<tr>
<th></th>
<th>1945</th>
<th>1944</th>
<th>1941</th>
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</thead>
<tbody>
<tr>
<td><strong>HOLLAND TUNNEL</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PASSENGER CARS Revenue</td>
<td>$4,496,432</td>
<td>$4,202,462</td>
<td>$5,550,744</td>
</tr>
<tr>
<td>BUSES Revenue</td>
<td>$232,361</td>
<td>238,149</td>
<td>256,600</td>
</tr>
<tr>
<td><strong>LINCOLN TUNNEL</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PASSENGER CARS Revenue</td>
<td>$2,092,196</td>
<td>$1,770,894</td>
<td>$1,571,850</td>
</tr>
<tr>
<td>BUSES Revenue</td>
<td>$1,131,354</td>
<td>1,139,063</td>
<td>835,425</td>
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<tr>
<td><strong>GEO. WASHINGTON BRIDGE</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PASSENGER CARS Revenue</td>
<td>$3,432,743</td>
<td>$2,854,823</td>
<td>$3,958,768</td>
</tr>
<tr>
<td>BUSES Revenue</td>
<td>$663,680</td>
<td>661,684</td>
<td>664,426</td>
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<tr>
<td><strong>STATEN ISLAND BRIDGES</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PASSENGER CARS Revenue</td>
<td>$904,223</td>
<td>$799,283</td>
<td>$758,869</td>
</tr>
<tr>
<td>BUSES Revenue</td>
<td>$59,839</td>
<td>52,778</td>
<td>42,743</td>
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<tr>
<td><strong>ALL FACILITIES</strong></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>PASSENGER CARS Revenue</td>
<td>$10,925,594</td>
<td>$9,627,463</td>
<td>$11,840,231</td>
</tr>
<tr>
<td>BUSES Revenue</td>
<td>$2,087,234</td>
<td>2,091,674</td>
<td>1,799,194</td>
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</table>

NOTE: 1941 figures used as base of comparison with peacetime.
<table>
<thead>
<tr>
<th>Year</th>
<th>TRUCKS Revenue</th>
<th>OTHER Revenue</th>
<th>TOTAL REVENUE</th>
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<tbody>
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<td>1945</td>
<td>$2,586,574</td>
<td>$2,254</td>
<td>$7,317,621</td>
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<td></td>
<td>2,457,049</td>
<td>2,515</td>
<td>$6,900,175</td>
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<td></td>
<td>2,127,337</td>
<td>3,075</td>
<td>$7,937,756</td>
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<td>1944</td>
<td>$925,499</td>
<td>$1,147</td>
<td>$4,150,196</td>
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<tr>
<td></td>
<td>801,549</td>
<td>1,014</td>
<td>$3,712,520</td>
</tr>
<tr>
<td></td>
<td>462,927</td>
<td>893</td>
<td>$2,871,095</td>
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<td>1943</td>
<td>$677,146</td>
<td>$1,811</td>
<td>$4,775,380</td>
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<td></td>
<td>656,077</td>
<td>1,647</td>
<td>$4,174,231</td>
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<td></td>
<td>622,454</td>
<td>1,492</td>
<td>$5,247,140</td>
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<tr>
<td>1942</td>
<td>$310,683</td>
<td>$1,014</td>
<td>$1,275,759</td>
</tr>
<tr>
<td></td>
<td>349,189</td>
<td>969</td>
<td>$1,202,219</td>
</tr>
<tr>
<td></td>
<td>199,715</td>
<td>667</td>
<td>$1,001,994</td>
</tr>
<tr>
<td>1941</td>
<td>$4,499,902</td>
<td>$6,226</td>
<td>$17,518,956</td>
</tr>
<tr>
<td></td>
<td>4,263,863</td>
<td>6,145</td>
<td>$15,989,145</td>
</tr>
<tr>
<td></td>
<td>3,412,433</td>
<td>6,127</td>
<td>$17,057,985</td>
</tr>
</tbody>
</table>
with a prewar daily average of eight stoppages a day in that facility. The Port Authority makes no charge to its patrons for towing and similar emergency services. During the year many compliments were received from patrons on the efficient and courteous handling of stoppages by our emergency tractor crews.

**Wartime Precautions End**

Symbol of peace was the relighting of the George Washington Bridge's 148 suspension cable lights on May 15, and stories and pictures of this dramatic sight were carried by the press in all parts of the world. The famed double-chain "diamond necklace" of the great Hudson River span had been blacked out since May 18, 1942.

During the war the Department of Operations was closely associated with other agencies dealing with wartime problems. The Director served as the public member of the Regional Appeals Board of the Highway Transport Division of the Office of Defense Transportation; as Chairman of the Metropolitan Defense Transport Committee for the Metropolitan area; as Chairman of the Hazardous Cargo Committee of the American Association of Port Authorities; and as a member of the Central Truck Tire Rationing Board.

**North Tube of the Lincoln Tunnel is Opened**

Highlight of Port Authority operations in 1945 was the opening of the North Tube of the Lincoln Tunnel at twelve noon on February 1, when the total operating staff of the tunnel was increased to 250 men and women, including 168
policemen. The new tube, which furnishes two lanes for one-way, westbound traffic to Northern New Jersey from midtown Manhattan, was opened without ceremony, in view of the critical war situation prevailing at that time. Entrance to the new tubes is in Galvin Plaza, between Thirty-ninth and Fortieth Streets, and Tenth and Eleventh Avenues, Manhattan. With the opening of the North Tube, the South Tube became a two-lane, one-way roadway for eastbound traffic from Weehawken, New Jersey to midtown Manhattan.

Ground was broken for the South Tube of the Lincoln Tunnel in May, 1934, and for the North Tube in February, 1937. The Port Authority suspended construction of the 7,500-foot-long North Tube roadway after it was holed through in May, 1938, due to lack of sufficient traffic to justify its completion. Construction was resumed in June, 1941.

The need for this crossing as an artery for the speedy movement of military personnel and materiel, made it possible for the Port Authority to go forward with work on the North Tube with the aid of high priority ratings on critical materials at a time when most civil construction was at a standstill.

When the war ended, both tubes of this underwater crossing were available to carry the increased load of civilian travel that developed when gasoline restrictions were lifted. In the eleven months of its operation the North Tube has accommodated 3,048,000 vehicles. This relieved Lincoln Tunnel patrons of delays that would have resulted from the continued use of the South Tube for both eastbound and westbound travel. During 1944 the South Tube was used by more than 5,700,000 military vehicles, trucks, buses and passenger cars. In 1945, the two tubes handled 6,513,000 vehicles.
The Port Authority now provides a total of eight lanes of underwater crossings of the Hudson River. The four-lane Holland Tunnel, extending from Canal Street, Manhattan, to Twelfth and Fourteenth Streets, Jersey City, was completed in 1927.

Three ventilating buildings house the “magic” machinery that makes the $80,000,000 Lincoln Tunnel safe for the passage of millions of patrons who use the facility annually. Only thirty-eight of the fifty-six fresh air exhaust fans are required for maximum traffic conditions in the two tubes; the remaining eighteen are held in reserve. A fresh air supply of more than 3,500,000 cubic feet per minute is furnished the North and South tubes by seventeen of the fresh air fans. A slightly larger amount of “used” air is blown out each minute by twenty-one exhaust fans.

178th Street Tunnel Service is Restored

The 178th Street Tunnel, which passes under Manhattan from the George Washington Bridge plaza to Amsterdam Avenue at Highbridge Park, was reopened to traffic at noon, November 9. About 20 per cent of the bridge traffic used the tunnel from June, 1940, when it was first opened, to May, 1942, when it was closed as a retrenchment measure in a period of declining revenues. The Authority’s original plans called for the return of the $5,500,000 facility to service in the spring of 1946.

It costs $30,000 a year to ventilate and light, police and maintain this facility. The tunnel is open to traffic from 7:00 A. M. to 11:00 P. M.
The Port Authority Furnishes a New Bus Shelter in Fort Lee

In accordance with plans approved by the New Jersey State Highway Department, by representatives of the Borough of Fort Lee and by bus companies, the Port Authority completed a new shelter for the 4,500 passengers who board buses daily in Fort Lee near the New Jersey approaches to the George Washington Bridge.

We erected a bus shelter at the marginal roadway at the Fort Lee side of the bridge in 1933, but buses were permitted to stop for passengers on the main highway at the floodlight tower, and this first shelter was therefore little used.

Improvements are Scheduled for the Holland Tunnel

In November the Board authorized the construction of new toll booths, canopies and floodlight towers at the New Jersey and New York plazas of the Holland Tunnel. Work will begin on these improvements as soon as design plans are completed in the fall of 1946. These improvements will fill the critical need for protection of our patrons and toll collectors from rain, sleet and snow storms; at the same time they will make more presentable the Holland Tunnel approaches—major gateways to and from New Jersey and New York. The cost will total about $375,000. The Holland Tunnel is the only one of our facilities that does not have toll-booth canopies.

Another feature of the eighteen-year-old Holland Tunnel’s “face-lifting” operation authorized by the Commissioners
during the year, was the use of white ceramic tile to replace the steel plates on the faces below sidewalk level above the roadway. This tile will provide better illumination, facilitate the maintenance and improve the appearance of the tunnel.

During the year the operating staff developed and built a machine for spray-painting the ceiling of the Holland Tunnel, which reduced the cost of this painting from $22,000 (by hand) to $1,000.

**The George Washington Bridge Plazas and Approaches Will be Reconstructed**

The Board, cooperating with the Palisades Interstate Park Commission, authorized the construction of a new northerly plaza on the New Jersey side of the George Washington Bridge. This plaza will include necessary approach ramps to connect with the new Palisades Parkway. This improvement, together with an accompanying toll-booth area, will cost $395,000.

The construction of the Trans-Bronx Expressway and Manhattan’s Harlem River Drive, both of which have high priority on New York City’s arterial highway construction program, will make necessary the reconstruction of the Manhattan approaches of the George Washington Bridge. With the completion of these new highways, the pattern of traffic to and from the bridge will change, a greater proportion moving to and from the East Side, and a lesser proportion to and from the West Side, by way of the Henry Hudson Drive. It will therefore be necessary to go forward with the construction of the 179th Street Tunnel at a much earlier date than
The New Jersey plaza of the Holland Tunnel will be improved by new toll booth, canopy and floodlight structures.
The New York plaza of the Holland Tunnel as it will appear when improvements are completed. Both the New York and New Jersey canopies will furnish greatly needed weather protection for patrons and toll collectors.
was originally expected. This will parallel the existing tunnel through 178th Street from the bridge plaza on the West Side of Manhattan to Highbridge Park on the east. We continued our studies of the project through the year in cooperation with the City of New York and the Triborough Bridge Authority.

The Port Authority Grain Terminal is a Useful and Successful Facility

Net operating income from the year's operation of the Port Authority Grain Terminal on Gowanus Bay, Brooklyn, was more than $156,300. Surplus from the year's activity amounted to approximately $92,000 after the deduction of the required payment of $65,000 to the State of New York to cover amortization and interest for the period.

The grain terminal was transferred to the Port Authority by the State of New York on May 1, 1944. The property, a 2,000,000-bushel elevator with pier and other facilities, was empty and in disrepair when taken over.

In accordance with Governor Dewey's recommendation, the State of New York advanced $1,150,000 as a rehabilitation fund to be repaid by the Authority out of earnings of the terminal at the rate of $65,000 a year, including interest at 2 per cent. The terms of the transfer of the property require the Port Authority to pay $50,000 a year to the State for ten years after the rehabilitation fund has been liquidated. The title will then vest in the Port Authority. During twenty months of operating the terminal, the Authority has paid to
the State a total of $108,330. Of this total, $37,770 represents interest, and $70,560 amortization.

In 1945, $510,150 was spent on rehabilitation of the facility. This brought to a total of $741,121 the amount expended since the transfer of the property by the State.

With a grain storage capacity of about half the total available in the Port of New York, the terminal in 1945 handled more than 2,400,000 bushels of grain, most of which was wheat. More than 1,725,000 bushels of grain were delivered to the terminal by the railroads during 1945. Only 167,600 bushels arrived by way of the State Canal. The small volume of canal deliveries was due to wartime dislocations of traffic and equipment.

The movement of railroad grain to the elevator was made possible by a revision of the tariffs of the New York Harbor Carriers on July 1, extending the export rail rate to grain traffic consigned to our terminal. This revision was made at the request of the Port Authority. The elevator has been an invaluable aid to New York railroads which do not have adequate elevator storage facilities of their own for grain cargoes, and therefore resort to storage in cars and lighters. During the war there was a shortage of such facilities.

A major part of foreign shipments of grain is handled in full cargo lots requiring direct loading to ocean vessels. Our present inability to handle such shipments will be overcome in the near future by the construction of a new pier and grain gallery at the terminal which will permit direct loading from storage bins to ship's hold. This new 550-foot pier will be capable of accommodating two ships. The Columbia Street pier and the grain elevator have been rehabilitated and improved.
Victory Ship berthed at the new Port Authority Grain Terminal Pier. A grain gallery will be built on the pier to permit direct loading of grain to ocean-going vessels.
The first military and civilian vehicles to use the North side were the W. Edna Henley, New Jersey, plaza of the Lincoln Hotel at noon, February 1, 1945.
Union Inland Terminal Service Shows Slight Decline in Volume

A slightly decreased volume of freight was handled by the Union Inland Railroad Freight Station in 1945 as compared with 1944, as a result of the sudden end of movement of war materiel into and through the Port of New York at the close of hostilities.

The freight station, located in the Port Authority Building, handled about 115,500 tons of less-than-carload freight for shippers throughout the Port District. This tonnage moved by way of the eight trunkline railroads which are the tenant-operators of the terminal. Included in the total were almost 29,000 tons of goods which moved through the Port Authority Building for its tenants. In addition, the Railway Express Agency moved some 242,000 tons of express matter through the basement level of the freight station. The total of about 357,500 tons of freight and express shipments handled in 1945 compares with 379,000 in the previous year, a decrease of about 5.7 per cent.

This "post office" for merchandise freight continued to render outstanding service to the community through expediting the movement of this type of freight. It effected an estimated saving of about one dollar a ton on trucking costs to shippers who pick up and deliver their own freight.

The railroads pay only the nominal sum of ten cents a ton for use of the terminal. The Inland Freight Station is therefore supported principally by the rentals received from the fourteen upper stories of the Port Authority Building. Extending from Fifteenth to Sixteenth Streets, and from Eighth to Ninth Avenues, this $16,500,000 building,
completed in October, 1932, enjoyed one hundred per cent occupancy for the third consecutive year. There was great demand for the premises by various business and light manufacturing firms which sought the conveniences offered by the three-acre floors and high speed package-freight and truck elevators, with direct access to the terminal facilities.

Rentals for 1945 aggregated about $1,350,000, an increase of $29,000, or 2.2 per cent over the preceding year's total of $1,321,000.

The City of New York is saved harmless from tax losses under an agreement by which the Port Authority pays the City $60,064.10 a year. This is the full amount of taxes received from the land and buildings on the terminal site prior to its acquisition by the Port Authority. The agreement was made possible under legislation enacted on the recommendation of the Port Authority in 1931.
Howard S. Cullman is Elected Chairman,  
Joseph M. Byrne, Jr., Vice Chairman

Howard S. Cullman was elected Chairman of the Board by the Commissioners at their meeting on February 8, 1945. Mr. Cullman, who had served as a Commissioner for eighteen years, and for eleven of those years as Vice Chairman, succeeded Frank C. Ferguson, of East Orange, New Jersey. Mr. Ferguson had been Vice Chairman for six years, and Chairman for ten years.

First appointed to the Commission by Governor Alfred E. Smith in March, 1927, Mr. Cullman was reappointed by Governors Herbert H. Lehman and Thomas E. Dewey.

Joseph M. Byrne, Jr., then also a Commissioner of the City of Newark, and a Commissioner of the Port Authority for more than ten years, was elected Vice Chairman. Appointed to the Commission by Governor A. Harry Moore for the term beginning July, 1934, he was reappointed by Governor Moore for a second term in July, 1940.

Governor Edge Appoints Four New Commissioners

Governor Edge made the first of a series of four appointments to the Board of the Port Authority during the year when, on January 22, 1945, he named former State Senator Frank D. Abell, President of the First National Iron Bank in Morristown, to fill the vacancy caused by the death of Commissioner Frank Dorsey, of Perth Amboy.
On the same date, Governor Edge appointed Donald V. Lowe, President of the Lowe Paper Company of Ridgefield, to succeed Commissioner John Borg, of Hackensack, whose term had expired. Commissioner Lowe resides in Tenafly.

The third Commissioner to be appointed from New Jersey during the year was F. Palmer Armstrong, President and Director of the Keyport Banking Company. Commissioner Armstrong was named to the Port Authority for the term beginning July, 1945. He succeeded Commissioner Raymond F. Greer, of Jersey City, whose term had expired.

Howard R. Cruse, Attorney, of Jersey City, was appointed by Governor Edge on September 7, 1945. He took the place of Commissioner Frank C. Ferguson, who resigned on August 31, 1945.

How The Commission Works

The twelve Commissioners of the Board, six from each State, are appointed by the Governors of New York and New Jersey for overlapping terms of six years. They serve without compensation.

In the interest of administrative efficiency, matters requiring Board action are originally handled by four committees which work in close contact with the four major departments of the Authority. These committees, namely, Port Planning, Construction, Finance and Operations, make recommendations to the full Commission.
At the close of 1945 the Committee assignments were:

**PORT PLANNING**
- Charles S. Whitman, *Chairman*
- Frank J. Taylor, *Vice Chairman*
- Eugene F. Moran
- Joseph M. Byrne, Jr.
- Howard R. Cruse

**CONSTRUCTION**
- Arthur Walsh, *Chairman*
- Eugene F. Moran, *Vice Chairman*
- Frank J. Taylor
- Frank D. Abell
- F. Palmer Armstrong

**FINANCE**
- John J. Pulleyn, *Chairman*
- Frank D. Abell, *Vice Chairman*
- Bayard F. Pope
- Donald V. Lowe
- F. Palmer Armstrong

**CONSTRUCTION**
- Joseph M. Byrne, Jr., *Chairman*
- Donald V. Lowe, *Vice Chairman*
- Arthur Walsh
- Charles S. Whitman
- John J. Pulleyn

**CONSTRUCTION**
- Joseph M. Byrne, Jr., *Chairman*
- Donald V. Lowe, *Vice Chairman*
- Arthur Walsh
- Charles S. Whitman
- John J. Pulleyn

The Chairman is ex officio member of all committees. The Vice Chairman is ex officio member of all committees of which he is not a regular member. The Executive Director, Austin J. Tobin, is the administrative head of the Port Authority, and acts as chief liaison officer between the Commission and the Staff.

The four major departments of the Port Authority are the Department of Port Development, headed by Walter P. Hedden, Director; the Engineering Department, headed by J. C. Evans, Chief Engineer; the Department of Audit and Control, headed by John J. Mulcahy, Comptroller; and the Department of Operations, headed by Billings Wilson, Director.

Leander I. Shelley, General Counsel, advises the Commission and the Executive Director on matters of law.

**New Method for Nominating Chairman and Vice Chairman**

At its meeting on December 20, 1945, the Commission
adopted an amendment to its bylaws to form a Nominating Committee for the nomination of its Chairman and Vice Chairman. The Nominating Committee consists of all the Port Authority Commissioners except those holding office as Chairman and Vice Chairman, and has power to make nominations for election to these offices. Nominations for election to fill these posts may also be made by any Commissioner at any meeting at which elections to fill such offices are held.

According to the bylaws, the Nominating Committee shall meet "at least once during the month immediately preceding the annual meeting" of the Authority. In addition, if the office of Chairman or Vice Chairman shall become vacant for any reason other than the expiration of term, the Nominating Committee shall meet as soon as practical after such vacancy occurs.

**Acceleration of Operating, Port Development, Promotion and Rehabilitation Programs is Reflected in Increased Personnel**

At the end of 1945 there were 1,303 employees in the Port Authority service, a net increase of 161 over the previous year. This included 79 war veterans who returned to the Agency during the period.

The postwar increase in traffic, the opening of the North Tube of the Lincoln Tunnel on February 1, and the reopening of the 178th Street Tunnel on November 9, were the primary factors in the increase in operating personnel. The Department of Port Development was reorganized and new executive and clerical assistance was employed to
accommodate the general stepping up of our port development and promotion efforts. The Engineering Department staff was augmented by new personnel to aid in furnishing design studies for several major Port Authority projects. The availability of certain essential materials at the war's end made it possible for us to undertake long-delayed rehabilitation and improvement items, and this activity also required that we take on additional employees.

General Policies Affecting Personnel

It is with considerable satisfaction that we report the continuance of the Port Authority's policy of an annual wage for labor. We fill vacancies from within the Staff except in those cases which require special skills, experience or training which cannot be found among employees already in our service.

Our clerical, police, stenographic and maintenance forces are recruited by examination. They are promoted through a system of classified grades on the basis of merit and efficiency as demonstrated by their records and promotional examinations. One of our general orders, of which all our employees are regularly put on notice, reads:

"Merit, with due consideration being given seniority, shall govern advancement and promotion in the service of the Port Authority.

"Preferential consideration will not be accorded any employee on account of political or other influence."

In general, it is the aim of the Port Authority to assure its employees salaries which compare favorably with those paid in the Port District for similar services. This plan pro-
vides equal reward for equal work, and reflects equitable differences in the value of service performed.

The compensation plan for the graded service continues to provide salary ranges for graded positions and periodic salary increases within the limits of the range. It is the policy of the Board to assure tenure of office. Employees are not discharged, demoted or penalized except for cause and after a hearing. Port Authority employees are members of the New York State Retirement System. They have the benefit of sick-leave privileges, periodic health examinations and medical consultations. Their own employee associations represent them in negotiations with the management.

Our wartime pay adjustment plan was continued during 1945. This plan is similar to that established by the States of New Jersey and New York and the Federal Government. In the past year the Port Authority again paid from 7 to 10 per cent on the first $4,000 of incomes of $6,000 or less, to aid its employees in meeting the increased cost of living.

The Commissioners were particularly proud of the many tributes paid the Port Authority Staff during the year by Federal, State and local officials, various groups and individuals, and the press. It is a unique tribute to their service that over 350 Port Authority employees have been with the bistate Agency for fifteen years, 625 for ten years or more, and 900 for at least five years.

*Our War Veterans Come Home*

On V-J Day, August 14, 1945, our Executive Director had the pleasure of sending to each of our employees re-
maining in the service of their country the following tele-
gram:

"WELL DONE. NOW WE HAVE ANOTHER JOB FOR YOU
HERE."

Altogether, 209 of our employees went to war. Seventy-
nine veterans returned to the Port Authority in 1945. This
brought to a total of 101 the number who had come back
since the beginning of hostilities. Many of these men had
distinguished themselves in the service and were decorated
by their Government for acts of exceptional bravery. Several
of them were wounded, some severely.

Early in the war our employees in the military service
were assured that when they came home they would return
to their old jobs, or jobs of similar status and pay. In addi-
tion, they were informed that they would receive seniority
credits for the period during which they served in the armed
forces. Throughout the period of military service the Au-
thority paid to the New York State Employees' Retirement
System the veteran's share, as well as the Agency's share of
contributions. Special provision was made for those who
might be discharged with medical disabilities. Families of
employees in the war were contacted regularly, and monthly
allowances were made in hardship cases.

Those Port Authority veterans who have already come
home have returned under the conditions described. Many
of them have been placed in jobs of different types than those
which they left, due to the development of new skills, or the
value of special training. Others have been returned to their
prewar jobs with the benefit of accrued seniority credits.

[ 53 ]
The Port Authority Building Cafeteria

The Port Authority Employees' Cafeteria, located on the sixteenth floor of the Port Authority Building, and operated by our Department of Purchase and Special Services, served more than 52,180 meals to our employees during 1945. At an average cost to employees of about 27 cents, gross receipts for 1945 were $14,405, while $13,490 was expended for food, service and incidentals.

Experience of the Port Authority conforms with studies which have revealed that employee lunchrooms serving wholesome, nourishing food contribute greatly to the health and efficiency of workers, and result in a reduction of absenteeism due to illness. We have found that our cafeteria saves the time of employees, permitting them to eat in more leisurely and relaxed fashion than if they were required to go outside the building to lunch. In addition, it has improved the esprit de corps by affording employees an opportunity to become better acquainted with one another. It is of considerable benefit to employees to eat in a clean and comfortable dining room at nominal cost.

Popularity of the cafeteria has so far exceeded original expectations that it will be necessary in the near future to expand the service, and plans are already under way for this improvement.

An Employee Cafeteria is Established at the Holland Tunnel

If employee satisfaction is the measure of its success, then the Port Authority's second cafeteria, established at the Hol-
land Tunnel on October 1, 1945, is perhaps one of the most successful of our operations. This modern design cafeteria is located on the third floor of the New Jersey Field Office. In the three months of its existence it served about 7,500 meals to day-shift workers at a cost of about 26 cents each. The gross income from the facility was $1,960 during this period, as compared with expenditures of $1,855 for food, service and incidentals.

The Holland Tunnel Cafeteria was established to meet the urgent need for wholesome food at reasonable cost in a neighborhood where restaurants are not easily accessible. The tunnel employees, to a large extent police and maintenance forces, were particularly eager to be able to obtain hot meals to replace the less substantial food which they had been required to accept in the past.

As in the case of the Port Authority Building Cafeteria, the Holland Tunnel facility is operated by our Department of Purchase and Special Services.

[55]
Three Gold Stars

Three of the soldiers who had left their jobs at the Port Authority to fight for their country and for the ideal of human freedom, lost their lives in the great struggle against the enemy.

* * *

Daniel P. Donovan, Seaman, First Class, United States Naval Reserve, passed away on January 17, 1945 at Brooklyn Naval Hospital as a result of injuries sustained in April, 1944, when a German torpedo sank the destroyer escort on which he was serving at the time. He had fought valiantly in the critical naval action in the Mediterranean area, including the Anzio and southern France operations.

* * *

First Lieutenant Lewis Peale Elliott was killed in action in Nuremberg on April 19, 1945, after gallant fighting on the front lines from Africa to Anzio and the outskirts of Rome. He went from the Riviera up the Rhone Valley through Lyons, and fought at Belfort and Mulhouse. Two weeks after his death, the final surrender of the German armies in Bavaria was accepted by the Commander of the Third Division of which Lieutenant Elliott’s 601st Tank Destroyer Battalion was a part.

Wounded four times, Lieutenant Elliott wore the Purple Heart with three Oak Leaf Clusters. He had twice been decorated with the Silver Star, the third highest decoration in the Army, for gallantry in action. He had also been decorated with two Bronze Stars, a Presidential Unit Citation, and two unit citations of the Croix de Guerre.

* * *

James J. Mahoney, Seaman, First Class, lost his life off the coast of Okinawa on June 16, 1945, when the U.S.S. Twiggs, to which he was assigned, was struck by a Japanese suicide plane. Mr. Mahoney wore the Purple Heart and posthumously received the Presidential Unit Citation.

[56]
The Port Authority Comes Through the War with Credit Intact

During 1945 the Port Authority's financial position continued to improve over the early period of the war when severe restrictions on the use of gasoline drastically reduced our toll revenues. Traffic had fallen off sharply during the war. Our income from bridges and tunnels dropped from about $17,050,000 in 1941, the last peacetime year, to about $13,240,000 in 1943 as a result of the ban against pleasure-driving and other necessary war measures. The relaxation of government control on gasoline at the end of the war was immediately reflected in an upsurge of automobile travel and an accompanying increase in bridge and tunnel revenues.

The War Production Board had authorized us to go forward during the war with the construction of the North Tube of the Lincoln Tunnel. The completion of this facility and its opening to wartime traffic on February 1, 1945, made available a total of eight lanes of underwater roadways for the continuous flow of traffic under the Hudson between the great industrial areas of Northern New Jersey and New York.

The Saratoga Springs Case

Twice during the year decisions of the United States Supreme Court protected the continued financing of state and municipal projects without Federal interference. In our last Annual Report we reviewed the decision of the Court in
Shamberg v. Commissioner of Internal Revenue*. In September of 1945 the Supreme Court propounded questions to counsel for the reargument of the case of Saratoga Springs Authority v. United States of America. These questions transformed that case from one of narrow issues into a litigation that might determine the entire constitutional issue of intergovernmental immunity. With the fine cooperation of the Attorney General of New York, the Conference on State Defense—a nationwide organization of state and local officials—immediately brought the situation to the attention of

*Port Authority Bond Interest is Tax Exempt. On January 2, 1945, the Supreme Court of the United States denied the application of the Department of Justice for a review of the so-called Port Authority tax case. The litigation involved the power of the Federal Government to tax the interest received by bondholders from state and municipal bonds. Known as Shamberg v. Commissioner of Internal Revenue, the test case, according to a statement issued by the Treasury Department, was started for the express purpose of establishing the Federal power to tax interest on all state and municipal bonds. The Supreme Court decision climaxed almost four years of litigation. In 1943, the United States Court of Tax Appeals held that income from Port Authority bonds was 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." In 1944, the Federal Circuit Court of Appeals for the Second Circuit affirmed the decision of the United States Court of Tax Appeals.

In addition, the Treasury Department had sought unsuccessfully for five years to have Congress eliminate the statutory exemption on state and municipal bonds.

The decision by the Supreme Court frees the Port Authority, as well as the states and the cities and all of their local agencies, to go forward after the war with such local projects as may be necessary or desirable for the welfare of their respective communities. They are now in position to finance their full and proper share of rehabilitation and progress in the postwar period, on the basis of free and independent local control.

The Authority has stressed the fact that Federal power to tax state and local borrowing must inevitably bring domination by the Federal Government over the fiscal processes of state and local government. With such power the Federal Government could practically determine the internal policies of the states and cities.

The Supreme Court decision assures the efficient financing of essential transportation and terminal projects planned by the Port Authority for the New Jersey-New York Port District, and of the postwar programs of states and municipalities throughout the country.

During the past five years the Port Authority has played a major role in defending the position of the states and municipalities in this situation. Although the litigation was between the Commissioner of Internal Revenue and a holder of Port Authority bonds, the Port Authority defended the action because of the great public and Port Authority interest involved. It cooperated in the vigorous opposition of the Conference on State Defense, a nationwide organization of state and local officials, in opposing the efforts of the Treasury Department to have Congress take action against the statutory exemption of state and local bonds from Federal taxation.
all the Attorneys General. The President of the National Association of Attorneys General, Attorney General John M. Rankin of Iowa, thereupon appointed a committee to consider the situation and to prepare a brief for the State as *amici curiae*. The committee included Abram P. Staples, Chairman, Attorney General of Virginia; Grover Sellers, Attorney General of Texas; J. A. A. Burnquist, Attorney General of Minnesota; J. Tom Watson, Attorney General of Florida; and A. B. Mitchell, Attorney General of Kansas. The brief, in the preparation of which the Law Department of the Port Authority participated, was submitted to the Supreme Court of the United States by forty-seven out of the forty-eight Attorneys General. Only the Attorney General of Montana declined to participate.

The Supreme Court decided that the Federal Treasury might impose an excise tax on bottled mineral water sold by the Saratoga Springs Authority. But the net result of the several opinions of the Court was generally considered in legal circles to be a reaffirmation of the vital constitutional doctrine of intergovernmental immunity. In assaying the opinions of the Court the Conference on State Defense said:

"In net result the friends of State and local government can consider that the Saratoga case is a great victory for their position. A terrible danger, pointed up by Justice Frankfurter's opinion, has been averted. By a 6 to 2 count the doctrine of reciprocal State immunity has been strongly reasserted in the prevailing opinion of Justices Stone, Reed, Murphy and Burton, and in the dissenting opinion of Justices Douglas and Black. The four prevailing Justices hold that only those activities of State government which are departures from governmental functions into the field of ordinary business operations may be taxable, and in that we have a liberalization of
the familiar 'governmental function' limitation of recent cases. Also many hurtful arguments recently advanced by Court majorities to restrict State and municipal immunity, have fallen by the wayside. Finally, we have the strong support of Justices Douglas and Black, which will be a potent force in all future Court decisions on intergovernmental tax immunity. 

"The State and City intervention proved highly successful."

And the President of the Municipal Forum of New York said:

"A great victory has been won. I wonder what would have happened if the foresighted Commissioners of the Port Authority had not seen fit for many years past to back their Staff in leading us to that victory? As dealers and investors in municipal bonds, and, indeed, in our private capacity as American citizens, we owe a debt of gratitude to the Commissioners of the Port Authority for their great fight on this issue."

**The New Convertible Bond**

A major financial development of the year was the successful flotation in September of a new type of Port Authority bond. This General Reserve Fund bond, issued for the financing of the Authority’s Manhattan and Newark terminals, was made *convertible* into General and Refunding bonds upon the opening of the projects. The issuance of this type of bond made possible the financing of these new facilities on a long-term basis at current interest costs for General and Refunding bonds without the necessity for, or the cost of, refinancing at a later date. The resultant saving to the Au-
authority on this issue is estimated at a minimum of 8 per cent. The bonds were given the same investment rating as our General and Refunding bonds, and were accepted by the banks as suitable for trust fund purchases.

Financing Operations During 1945

On March 28, 1945, an issue of the Authority’s Ninth Series General and Refunding bonds, aggregating $12,000,000 in principal amount, and bearing a coupon rate of 1½ per cent, was sold at 99.15 of par value, or an average interest cost to the Authority of 1.534 per cent. This was the lowest long-term interest cost which the Authority had enjoyed in its nineteen years of financing port and terminal facilities. It is believed to be the lowest long-term interest rate ever accorded any self-supporting state or municipal agency in the history of American municipal borrowing. The issue was dated April 1, 1945, maturing April 1, 1985.

On the same day, there were sold Series H General Reserve Fund Serial Notes, aggregating $14,000,000 in principal amount, and bearing interest at the rate of 1 per cent. The notes were due April 1, 1946 through April 1, 1950 and were secured and payable from the General Reserve Fund, callable at par, in whole or in part, on the first day of any month.

The proceeds of the Ninth Series 1½ per cent bonds, and the Series H 1 per cent notes, together with an appropriation from the General Reserve Fund of $3,253,000 were applied to the redemption on December 1, 1945 of $28,422,000 in principal amount of General and Refunding Bonds, Sixth Series,
3 per cent, due 1975. This refunding operation resulted in a saving of about $3,800,000 and the long-term financing was achieved at a rate 30 per cent lower than the best previous interest cost ever received by the Authority.

On September 12, 1945, there was sold the issue of Series J “convertible” Terminal Bonds to which we previously referred. The aggregate principal amount of this issue was $7,500,000, bearing a coupon rate of 11/4 per cent. Dated April 1, 1945, and maturing April 1, 1985, the bonds were sold at a price of 96.1099, or an average interest cost to the Port Authority of 1.9056. Purpose of the issue was to finance the construction of the Port Authority's Manhattan and Newark truck terminals, and for incidental purposes including the liquidation of $700,000 of short-term borrowing for those facilities. These bonds provide for their own mandatory exchange for General and Refunding, Tenth Series Bonds of the Authority having the same date, maturity and interest rate as the Series J Bonds, as soon as General and Refunding bonds are issuable under the terms of the Basic Resolution. This exchange will probably take place in 1947. In the meantime, Series J Bonds are secured by a pledge of the net revenues derived from the operation of both union terminal freight stations, and are further secured by a pledge of the General Reserve Fund.

In line with established policy, all bonds of the Authority were sold through competitive bidding.

In accordance with the requirements of the various bond resolutions concerning Sinking Funds and retirements, the following bonds were retired during the year:

$754,000 par value, G & R, Fifth Series, 31/4 per cent, due 1977, on August 15.
WHERE THE MONEY CAME FROM...

TOLLS
$17,518,958

BUILDING RENTS, INVESTMENTS
$27,260,190

HOW IT WAS DISTRIBUTED...

OPERATIONS & MAINTENANCE
$5,900,529

DEBT RETIREMENT, RESERVES, PROPERTY IMPROVEMENTS & ADDITIONS
$9,471,359

INTEREST
$4,873,087
$800,000 par value, Series “G,” 1.10 per cent, due 1945, on October 1.
$576,000 par value, G & R, Fourth Series, 3 per cent, due 1976, on December 15.

The Port Authority Offers to Repay Funds Advanced by the States

On June 23, 1945, the Port Authority offered to repay a total of $8,300,000 advanced by the States of New Jersey and New York from 1926 to 1928 to aid in the construction of the Staten Island bridges.

According to the terms of the offer, the first payment of one-half of the total would be made to the two States when required legislation has been adopted by the New Jersey and New York Legislatures. The remaining half would be paid a year later if, in the judgment of the Commissioners, financial conditions permitted. In the event payment of the second installment could not be made at that time, it would be made as promptly as possible.

Under existing legislation, these advances are to be repaid only out of the revenues of the three Staten Island bridges, and repayments are contingent upon conditions which make it impossible to determine at the present time when their repayment would be required. The Governors of the two States, however, were advised that the Port Authority has always recognized that these advances and the problem of their contingent repayment should be approached from the broad standpoint of the relationship between the two States as principals in the great task of developing the Port, through their joint State Agency, the Port Authority.
Thus, the Chairman’s letter to the Governors reads in part: “It is with considerable pride that the Commissioners of the Port Authority submit this proposal [for pre-payment] to their principals, the two States. The whole concept of the Port Authority is that of a self-supporting public agency whose projects are carried forward without burden to the general taxpayer. The objective of the Port Compact of 1921 was the creation of an agency which would maintain itself in a sound financial position to underwrite and carry forward great capital improvements for the development of the port district of the two States, the cost of which would be paid from revenues.”

Responding to the Chairman’s letter, Governor Dewey on June 27 wrote:

“Our two States are entitled to feel that they built constructively and most successfully when they joined through Compact in 1921 to organize the Authority.

“That you are in a position to go forward with a continuing program of necessary projects of port development and, at the same time, plan to anticipate the repayment of the advances in the amount of $8,300,000 made to you by the two States over the period 1926 to 1928 is a tribute to the prudence and soundness with which you have managed the public affairs entrusted to you.

“New York’s half of the repayment, which may be repaid by the delivery of your bonds over the period of the next two years, would be a very helpful addition to our postwar funds for investment in other projects of service to the people of the State.”

Governor Edge in a letter dated July 10, said in part:

“The ability of The Port of New York Authority to fund this obligation in this manner, despite the loss of
revenues resulting from the wartime curtailment of vehicular traffic, represents a fine attitude of cooperation and responsibility to the two States which created your great organization. On this basis, both New Jersey and New York have reason to feel that the trust they have imposed in The Port of New York Authority has been well founded and the resources of the two States have been managed with great care and devotion to the public interests.”

At the same time that we offered to repay the $8,300,000 to the two States, the Port Authority reimbursed the States in cash in the amount of $300,000 for advances for preliminary studies for the construction of the George Washington Bridge.

Since 1933 the Port Authority has not required state aid in its port program, although originally provision was made for state appropriations of $100,000 a year from each State. In 1935 it liquidated the advances made by the two States to aid in the construction of the George Washington Bridge. The present payment of $300,000 and the proposed pre-payment of $8,300,000 are in addition to the 1935 settlement.
## Financial Summary

<table>
<thead>
<tr>
<th>Year</th>
<th>Traffic (Number of Vehicles)</th>
<th>Revenues</th>
<th>Expenses</th>
<th>Net Revenues from Operations</th>
<th>Other Income</th>
<th>Income Before Interest</th>
<th>Interest</th>
<th>Net Income</th>
<th>The Net Income Was Distributed:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1944</td>
<td>27,234,761</td>
<td>$15,989,145</td>
<td>$4,648,822</td>
<td>$12,908,687</td>
<td>$436,922</td>
<td>$13,345,609</td>
<td>$5,405,569</td>
<td>$7,940,040</td>
<td>$1,045,353, $37,813, $1,025,119</td>
</tr>
<tr>
<td>1941</td>
<td>30,600,567</td>
<td>$17,057,985</td>
<td>$4,602,940</td>
<td>$13,852,058</td>
<td>$227,550</td>
<td>$14,079,608</td>
<td>$5,339,477</td>
<td>$8,740,131</td>
<td>$2,924,950, $1,300,000</td>
</tr>
</tbody>
</table>
## Comparison of Net Revenues

<table>
<thead>
<tr>
<th></th>
<th>1945</th>
<th>1944</th>
<th>Increase or Decrease*</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>I. OPERATING REVENUE AND INCOME</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Passenger Cars</td>
<td>$10,925,593.76</td>
<td>$9,627,462.84</td>
<td>$1,298,130.92</td>
</tr>
<tr>
<td>Buses</td>
<td>2,087,234.10</td>
<td>2,091,673.80</td>
<td>4,439.70*</td>
</tr>
<tr>
<td>Trucks</td>
<td>4,499,902.37</td>
<td>4,263,863.17</td>
<td>236,039.20</td>
</tr>
<tr>
<td>Motorcycles</td>
<td>6,225.47</td>
<td>6,145.04</td>
<td>80.43</td>
</tr>
<tr>
<td>Rents, P.A. Bldg., etc</td>
<td>1,568,266.82</td>
<td>1,539,243.57</td>
<td>29,023.25</td>
</tr>
<tr>
<td>Interest on Investments, etc</td>
<td>1,189,825.42</td>
<td>503,885.60</td>
<td>685,939.82</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$20,277,047.94</strong></td>
<td><strong>$18,032,274.02</strong></td>
<td><strong>$2,244,773.92</strong></td>
</tr>
</tbody>
</table>

| **II. DEDUCTIONS**  |                       |                       |                       |
| Operating Expenses  | $ 5,900,529.14        | $ 4,648,821.57        | $1,251,707.57         |
| Interest on Funded Debt | 4,873,086.78       | 5,405,569.26          | 532,482.48*           |
| Other Income Charges | 32,073.09            | 37,842.95             | 5,769.86*             |
| **Total**           | **$10,855,689.01**    | **$10,092,233.78**    | **$713,455.23**       |
| **Net Revenues**    | **$ 9,471,358.93**    | **$ 7,940,040.24**    | **$1,531,318.69**     |

*Denotes decrease.
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:

Exhibit
A—Balance sheet at December 31, 1945.
B—Statement of net revenues and appropriations thereof for the year ended December 31, 1945.
C—Statement of reserves for the year ended December 31, 1945.
E—Pier development fund—statement of net revenues for the year ended December 31, 1945.

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, 1945 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 8, 1946.
THE PORT OF NEW YORK AUTHORITY

Balance

ASSETS

EXPENDITURES FOR FACILITIES (Note 2) ................................... $239,353,811.5

SPECIAL FUNDS:

Construction fund:
- Cash in bank .................................................. $ 761,355.87
- U. S. Government bonds, at cost—quoted market value $7,100,779.98 (Schedule 1) 7,063,058.97 $ 7,824,413.94

Sinking fund:
- Cash in banks .................................................. $1,742,167.96
- U. S. Government bonds, at cost—quoted market value $800,078.00 (Schedule 1) 600,150.00 $ 2,343,608.93

Employees' retirement system deficiency fund (Note 3):
- Cash in bank .................................................. $ 761,355.87
- U. S. Government bonds, at amortized cost—quoted market value $2,641,768.95 (Schedule 1) 2,601,056.36 $ 2,343,608.93
- Accrued interest receivable .................................. 7,069.76
- Accounts receivable ........................................... Accrued interest receivable 7,069.76
- Insurance fund:
  - Cash in bank .................................................. $13,086.31
  - U. S. Government bonds, at amortized cost—quoted market value $2,017,464.00 (Schedule 1) 1,963,181.94
  - Mortgage receivable ........................................ 171,000.00
  - Other assets .................................................. 9,826.96

CURRENT ASSETS AVAILABLE FOR DEBT SERVICE AND GENERAL CORPORATE PURPOSES:

- Cash in banks and on hand .................................... $ 844,492.37
- U. S. Government bonds, at amortized cost—quoted market value $21,133,863.10 (Schedule 1) 20,542,584.52
- Accounts receivable and accrued interest 209,843.92 $ 21,566,920.81

OTHER ASSETS AND MISCELLANEOUS UNADJUSTED ITEMS:

- Deposits for unredeemed bonds and interest coupons:
  - With paying agents ......................................... $3,108,518.75
  - Segregated from general cash funds 63,668.76 $ 3,171,867.50
- Miscellaneous investments .................................... 2,614.86
- Prepaid insurance .............................................. 102,297.35
- Miscellaneous unadjusted items 133,933.22 $ 279,503,244.40

Explanatory notes [ 70 ]
DECEMBER 31, 1945 . . . EXHIBIT A

**LIABILITIES**

**Funded Debt (Note 4) (Schedule 2)** .................................................. $183,120,000.00

**Subordinated Liability for Advances from the States of New York and New Jersey in Aid of Construction and for Preliminary Studies and Surveys (Note 5)** 8,299,918.20

**Advance from the State of New York for Plans and Specifications of Union Bus Terminal** ............ 180,000.00

**Current Liabilities:**
- Accounts payable .......................................................... $ 285,042.13
- Accrued interest on funded debt .................................. 989,922.01
- Accrued liability for contribution to employees’ retirement system ........................................ 253,818.06
- Liability in lieu of taxes .................................................. 30,064.10
- Unredeemed tickets, miscellaneous deposits, etc. .......... 261,752.22
  **Total Current Liabilities** .................................................. 1,830,598.52

**Unredeemed Bonds and Interest Coupons** .................................... 3,171,887.50

**Reserves (Note 2) (Exhibit C):**
- Sinking fund reserves .................................................. $ 2,343,608.93
- Employees’ retirement system deficiency reserve (Note 3) 2,736,261.07
- Insurance reserve (Note 6) ........................................ 2,157,095.21
- Restoration and improvement reserve .......................... 3,216,388.04
- General reserve ............................................................. 16,673,293.75
- Reserves applied to retirement of debt, payment of debt service, etc. (including appropriations for construction), less deficit accounts of certain facilities and debt refunding expenses ........................................ 44,913,286.33
  **Total Reserves** ................................................................ 72,040,428.33

**Federal and State Grants for Construction and Compromise Discount on State Aid Settlements** .......... 10,860,411.85

**Contingent Liabilities and Construction Commitments (Note 1)**

**Total Liabilities** .................................................................. $279,503,244.40

All attached hereto.

[ 71 ]
EXHIBIT B
THE PORT OF NEW YORK AUTHORITY
Statement of Net Revenues and Appropriations Thereof for the Year Ended December 31, 1945

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>GROSS OPERATING REVENUES:</strong></td>
<td></td>
</tr>
<tr>
<td>Vehicular tolls from bridge and tunnel facilities</td>
<td>$17,518,955.70</td>
</tr>
<tr>
<td>Rental income:</td>
<td></td>
</tr>
<tr>
<td>From tenants</td>
<td>$1,484,867.90</td>
</tr>
<tr>
<td>From The Port of New York Authority</td>
<td>$82,398.22</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>$29,258.92</td>
</tr>
<tr>
<td>Total gross operating revenues</td>
<td>$19,116,481.44</td>
</tr>
<tr>
<td><strong>OPERATING EXPENSES:</strong></td>
<td></td>
</tr>
<tr>
<td>Net operating revenues</td>
<td>$5,900,529.14</td>
</tr>
<tr>
<td><strong>OTHER INCOME, LESS OTHER DEDUCTIONS:</strong></td>
<td></td>
</tr>
<tr>
<td>Interest on funded debt (less $32,812.50 capitalized—Note 2)</td>
<td></td>
</tr>
<tr>
<td>Net revenues available for sinking fund reserves, for retirement of debt and for other appropriations in accordance with statutory requirements and agreements with bondholders (Note 2, 3, 7 and 8)</td>
<td>$9,471,358.93</td>
</tr>
<tr>
<td><strong>APPROPRIATIONS OF NET REVENUES:</strong></td>
<td></td>
</tr>
<tr>
<td>To sinking fund reserves (including income from securities held in sinking funds):</td>
<td></td>
</tr>
<tr>
<td>General and Refunding Bonds, Fourth Series</td>
<td>$1,532,527.82</td>
</tr>
<tr>
<td>General and Refunding Bonds, Fifth Series</td>
<td>$10,482.07</td>
</tr>
<tr>
<td>General and Refunding Bonds, Sixth Series</td>
<td>$1,233.86</td>
</tr>
<tr>
<td>To employees’ retirement system deficiency reserve, representing income from securities held in employees’ retirement system deficiency fund</td>
<td>$90,333.28</td>
</tr>
<tr>
<td>To insurance reserve, representing income from securities held in insurance fund</td>
<td>$104,554.53</td>
</tr>
<tr>
<td>To restoration and improvement reserve (Note 7)</td>
<td>$925,000.00</td>
</tr>
<tr>
<td>To general reserve</td>
<td>$5,007,277.37</td>
</tr>
<tr>
<td>To construction of North Tube of Lincoln Tunnel</td>
<td>$1,000,000.00</td>
</tr>
<tr>
<td>Net revenues transferred to reserve accounts (Exhibit C)</td>
<td>$9,471,358.93</td>
</tr>
</tbody>
</table>

Explanatory notes are attached hereto.
### EXHIBIT C
**THE PORT OF NEW YORK AUTHORITY**

**Statement of Reserves for the Year Ended December 31, 1945**

<table>
<thead>
<tr>
<th>Description</th>
<th>Total</th>
<th>Sinking Fund Reserves</th>
<th>Employees' Retirement System Deficiency Reserve</th>
<th>Insurance Reserve</th>
<th>Restoration and Improvement Reserve</th>
<th>General Reserve</th>
<th>Reserves Applied to Retirement of Debt, Payment of Debt Service, etc. (including Appropriations for Construction, Less Deficit Accruals of Certain Facilities and Debt Refunding Expenses)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance, December 31, 1944</td>
<td>$63,052,588.21</td>
<td>$2,266,024.59</td>
<td>$1,197,686.99</td>
<td>$2,054,712.69</td>
<td>$2,554,278.15</td>
<td>$15,718,724.52</td>
<td>$39,061,844.86</td>
</tr>
<tr>
<td>Appropriated Net Revenues for the Year Ended December 31, 1946 (Exhibit B)</td>
<td>$9,471,368.93</td>
<td>2,344,219.76</td>
<td>99,333.28</td>
<td>104,584.53</td>
<td>926,000.00</td>
<td>5,007,277.37</td>
<td>1,000,000.00</td>
</tr>
<tr>
<td>Funded Debt Retired: General and Refunding Bonds, Fourth Series, 3%, due 1976</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Excess of cost of Fourth Series Bonds retired through sinking fund over principal amount ($576,000.00)</td>
<td>$17,280.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General and Refunding Bonds, Fifth Series, 3 1/4%, due 1977</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Excess of cost of Fifth Series Bonds retired through sinking fund over principal amount ($754,000.00)</td>
<td>586,388.98</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Excess of principal amount of General and Refunding Bonds, Sixth Series, 3%, due 1975, redeemed over principal amount of General and Refunding 1 1/2% Bonds, Ninth Series and General Reserve Fund 1% serial notes, Series H issued in connection there with (Note 6)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Appropriation for retirement of $1,000,000.00 principal amount of General Refunding Bonds, Series G, 1.10% matured October 1, 1945</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Charges in Connection with the Refunding of $36,432,000.00 Principal Amount of General and Refunding, Sixth Series, 3% Bonds (Note 3)</td>
<td>1,419,575.58</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Repayment of Advances Made by the States of New York and New Jersey for Preliminary Studies and Surveys in Connection with the Construction of the George Washington Bridges</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payments to Employees' Retirement System Deficiency Fund (Note 5)</td>
<td>1,248,040.80</td>
<td>1,248,040.80</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Excess of Self-Insurance Expenses and Claims Paid ($42,000.00) over Self-Insurance Provision ($42,000.00) (Note 6)</td>
<td>8,181.68</td>
<td>8,181.68</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Expenditures in Connection with the Restoration and Improvement Program</td>
<td>286,598.12</td>
<td>286,598.12</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance, December 31, 1945 (Exhibit A) (Note 2)</td>
<td>$72,040,428.33</td>
<td>$2,548,698.38</td>
<td>$2,736,256.07</td>
<td>$2,107,092.21</td>
<td>$3,216,988.64</td>
<td>$16,673,293.75</td>
<td>$44,913,208.33</td>
</tr>
</tbody>
</table>

*Italics denote red figures.*

Explanatory notes are attached hereto.
EXHIBIT D
THE PORT OF NEW YORK AUTHORITY
PIER DEVELOPMENT FUND
Balance Sheet at December 31, 1945

<table>
<thead>
<tr>
<th>ASSETS</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>EXPENDITURES FOR REHABILITATION OF PIER PROPERTIES</td>
<td>$741,121.03</td>
</tr>
<tr>
<td>CURRENT ASSETS:</td>
<td></td>
</tr>
<tr>
<td>Cash in banks and on hand</td>
<td>$122,929.47</td>
</tr>
<tr>
<td>U. S. Treasury Bonds, 2 1/2%, due September 15, 1959-56, at cost ($500,000 principal amount) quoted market value $531,405.00</td>
<td>517,812.50</td>
</tr>
<tr>
<td>Accounts and accrued receivables:</td>
<td></td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>$37,340.70</td>
</tr>
<tr>
<td>Accrued storage</td>
<td>1,444.18</td>
</tr>
<tr>
<td>Accrued interest</td>
<td>3,281.25</td>
</tr>
<tr>
<td>PREPAID EXPENSES:</td>
<td></td>
</tr>
<tr>
<td>Prepaid insurance</td>
<td>$39,810.14</td>
</tr>
<tr>
<td>Prepaid salaries and wages</td>
<td>182.28</td>
</tr>
<tr>
<td>LIABILITIES AND SURPLUS</td>
<td></td>
</tr>
<tr>
<td>ADVANCE FROM THE STATE OF NEW YORK</td>
<td>$1,122,000.00</td>
</tr>
<tr>
<td>Less: Amount included in current liabilities</td>
<td>42,560.00</td>
</tr>
<tr>
<td>CURRENT LIABILITIES:</td>
<td></td>
</tr>
<tr>
<td>Accounts payable</td>
<td>$78,010.79</td>
</tr>
<tr>
<td>Due to the State of New York:</td>
<td></td>
</tr>
<tr>
<td>On advance</td>
<td>$42,560.00</td>
</tr>
<tr>
<td>Accrued interest on advance</td>
<td>22,440.00</td>
</tr>
<tr>
<td>Accrued liability for contributions to employees' retirement system</td>
<td>6,655.81</td>
</tr>
<tr>
<td>Accrued lighterage allowance</td>
<td>7,084.96</td>
</tr>
<tr>
<td>DEFERRED REVENUE</td>
<td>5,000.00</td>
</tr>
<tr>
<td>SURPLUS:</td>
<td></td>
</tr>
<tr>
<td>Balance, December 31, 1944</td>
<td>$88,233.42</td>
</tr>
<tr>
<td>Add: Net revenue for year ended December 31, 1945 (Exhibit E)</td>
<td>133,896.62</td>
</tr>
<tr>
<td>$222,130.04</td>
<td></td>
</tr>
<tr>
<td>$1,463,921.60</td>
<td></td>
</tr>
</tbody>
</table>

Note 1: The Pier Development Fund was created in accordance with Chapter 410 of the 1944 laws of the State of New York under which the Authority received from the State of New York certain properties known as Gowanus Bay Terminal subject to certain conditions among which were the following: The Authority is to rehabilitate, operate and maintain said properties and, in connection therewith, receive an advance of $11,000,000.00 from the State of New York. Such advance is repayable, with interest of 3% per annum, in annual installments of $55,000.00 (if and when earned) out of the revenues of said properties remaining each calendar year after deducting operating and maintenance expenses for each year (as defined). The Authority also agrees that it will continue to make annual payments to the State out of the revenues of said properties for a period of ten calendar years after the State advance is repaid. Each such annual payment shall be $50,000.00 provided that if the balance of revenues from said pier properties for any year is less than $50,000.00, the annual amount for such year shall be in the amount of such remaining balance or if there be no remaining balance, the Authority shall not be obligated to make any payment to the State for that year. Any balance in the Pier Development Fund not expended as provided in the law is to remain in the Fund until all financial obligations to the State are discharged.

Note 2: Construction contracts awarded, les payments made and liabilities recorded to cover work performed to and including December 31, 1946 amounted to $191,565.45.

Note 3: See Schedule E—Note 4.
EXHIBIT E
THE PORT OF NEW YORK AUTHORITY
PIER DEVELOPMENT FUND

Statement of Net Revenues
For the Year Ended December 31, 1945

<table>
<thead>
<tr>
<th>Gross Operating Revenues:</th>
<th>$138,142.51</th>
<th>$109,667.04</th>
<th>$3,085.44</th>
</tr>
</thead>
<tbody>
<tr>
<td>Piers and wharfs</td>
<td>138,142.51</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grain elevator</td>
<td>109,667.04</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>3,085.44</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total gross operating revenues</td>
<td>$250,894.99</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Operating Expenses:</th>
<th>$128,074.66</th>
<th>$122,820.33</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operation and maintenance</td>
<td>117,931.04</td>
<td>10,143.62</td>
</tr>
<tr>
<td>General and administrative expenses</td>
<td>128,074.66</td>
<td></td>
</tr>
<tr>
<td>Net operating revenues</td>
<td>$122,820.33</td>
<td>$122,820.33</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Other Income:</th>
<th>$33,516.29</th>
<th>$156,336.62</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest on investments</td>
<td>11,457.97</td>
<td>22,058.32</td>
</tr>
<tr>
<td>Profit on sale of investments</td>
<td>22,058.32</td>
<td>$33,516.29</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Interest on Advance from State of New York</th>
<th>22,440.00</th>
<th>$133,896.62</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Revenue</td>
<td></td>
<td>$133,896.62</td>
</tr>
</tbody>
</table>

Note: No provision for taxes has been made since the law, under which the Pier Development Fund was created, makes the properties exempt therefrom. The law also provides that operating and maintenance expenses are not to include any depreciation allowance and no amount has been set up.
NOTES TO FINANCIAL STATEMENTS

(1) Contingent liabilities and construction commitments at December 31, 1945 were as follows:

(a) Construction contracts awarded, less payments made and liabilities recorded to cover work performed to and including December 31, 1945 ........................................ $ 132,520

(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) Estimated costs that may be incurred in connection with proposed construction by The City of New York of a protective pier over the Lincoln Tunnel ........................................... 600,000

(d) 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 to accommodate traffic through the 179th Street Tunnel, which was completed in June 1940, exceeds six million vehicles in a twelve-month period .................................................. 3,199,000

$4,390,520

(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 is made for depreciation.

The Authority, in 1945 and prior years, charged to investment in facilities, in accordance with resolutions of the Commissioners, 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 $3,804,061.66 at December 31, 1945. There was also capitalized in prior years, bond interest in the amount of $1,879,629.47 (net of income earned on unexpended construction funds) applicable to period subsequent to the dates of official opening of the respective facilities, of which $840,000 was in accordance with the contract with the bondholders of Inland Terminal No. 1 bonds.

Additions to facilities during the year ended December 31, 1945 consisted of expenditures for the construction of the North Tube of the Lincoln Tunnel, acquisition of land for Union Truck Terminals and preliminary work in connection therewith. The amounts capitalized in 1945 included $294,955.89 in connection with Inland Terminal No. 1 and provision has been made therefor in the accompanying financial statements.

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 $60,964.10 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, 1945 are shown in the accompanying balance sheet under "Reserves."

(3) During 1945 the Authority made contributions of $1,248,040.80 to the Employees' Retirement System Deficiency Fund thereby increasing to $7,728,561.97 the amount set aside in this fund. No further contributions are expected to be necessary since it is believed that the fund will become sufficient to cover all future payments to the New York State Employees' Retirement System in respect of employees' services rendered prior to the date the Authority entered the System (April 1935).

The charge to 1945 operating expenses of $1,248,040.80, as shown above, compares with a corresponding charge for 1944 of $521,364.72.

(4) See accompanying Schedule 2 for Information relating to funded debt outstanding at December 31, 1945 and proposed issue in 1946 of General and Refunding Bonds, Eleventh Series.

(5) The subordinated liability for advances in aid of construction and for preliminary studies and surveys represents advances made by the States of New York and New Jersey in connection with the Arthur Kill and Bayonne Bridges. These advances are not repayable until the earnings of such projects have been sufficient to cover the cost of all future payments to the New York State Employees Retirement System in respect of employees' services rendered prior to the date the Authority entered the System (April 1935).

The charge to 1945 operating expenses of $1,248,040.80, as shown above, compares with a corresponding charge for 1944 of $521,364.72.

[76]
NOTES TO FINANCIAL STATEMENTS—Continued

(6) In accordance with the approval of the Commissioners, the Authority at December 31, 1945, was self-insurer except for the following insurance coverage carried with outside insurers:
1. Multi-risk insurance on all bridge and tunnel facilities.
3. Fire and sprinkler leakage insurance on Inland Terminal No. 1 (Port Authority Building).
4. Excess public liability insurance.
5. Fidelity bond and depositors' forgery bond.
6. Fire insurance on all Authority's buildings and contents and rent insurance on all rentable properties of the Authority except the Port Authority Building.

In the opinion of the General Claim Agent of the Authority, the insurance reserve at December 31, 1945, is adequate to cover the reasonable requirements in connection with all types of insurance risks in respect of which the Authority is self-insurer. Effective July 1, 1945 the Authority ceased charging operating expenses with any provision for self-insurance as it is estimated that the earnings of the insurance fund are presently sufficient to cover such losses.

(7) In 1945 an appropriation of $925,000.00 was made for deferred maintenance and improvements and was added to the "restoration and improvement reserve." Charges to this reserve during the current year aggregated $262,392.11.

(8) In order to redeem $28,422,000 principal amount of its General and Refunding, Sixth Series, 3% Bonds on December 1, 1945, the Authority, on April 1, 1945, issued $12,000,000 principal amount of its General and Refunding, Ninth Series, 1% Bonds and $14,000,000 principal amount of its General Reserve Fund, Series H, 1% serial notes.

The following charges, in connection with the above refunding have been made directly to "General Reserve" (see Exhibit C) in accordance with a resolution of the Commissioners:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Premium on redemption of $28,422,000 principal amount of General and Refunding, Sixth Series, 3% Bonds on December 1, 1945</td>
<td>$852,660.00</td>
</tr>
<tr>
<td>Discount on sale of $12,000,000 principal amount of General and Refunding, Ninth Series, 1% Bonds on April 1, 1945</td>
<td>102,900.00</td>
</tr>
<tr>
<td>Interest on General and Refunding, Sixth Series, 3% Bonds from April 1, 1945 to December 1, 1945</td>
<td>568,446.00</td>
</tr>
<tr>
<td>Legal services, printing of bonds and notes, etc.</td>
<td>21,752.48</td>
</tr>
</tbody>
</table>

Total: $1,544,352.48

Less: Income earned on proceeds from sale of above bonds and notes from April 1, 1945 to December 1, 1945 | 124,776.00

$1,419,575.58

The Commissioners also authorized the following treatment of the excess of the principal amount of bonds redeemed ($28,422,000) over the principal amount of bonds and notes issued ($26,000,000):

Charge to "Sinking Fund Reserve" for amounts previously appropriated from net revenues | $688,368.98

Charge to "General Reserve" | 1,833,631.02

$2,522,000.00

(9) The balance sheet (Exhibit A) and statement of net revenues and appropriations thereof (Exhibit B) do not include the Pier Development Fund established under Chapter 410 of the 1944 laws of the State of New York or the results of the operations of the facilities in connection with such fund. The status of the fund at December 31, 1945 is shown in Exhibit D and the results of the operations of the facilities in connection therewith are shown in Exhibit E.
### SCHEDULE 1

**THE PORT OF NEW YORK AUTHORITY**

Investments in U.S. Government Bonds at December 31, 1945

<table>
<thead>
<tr>
<th>Fund</th>
<th>Principal Amount</th>
<th>Cost</th>
<th>Quoted Market Value</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Construction Fund:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>U. S. Treasury Bonds, 2 1/4%, due September 15, 1959-56</td>
<td>$1,200,000.00</td>
<td>$1,241,650.85</td>
<td>$1,275,372.00</td>
</tr>
<tr>
<td>U. S. Treasury Bonds, 2%, due December 15, 1944-45</td>
<td>$100,000.00</td>
<td>$100,000.00</td>
<td>$104,375.00</td>
</tr>
<tr>
<td>U. S. Treasury Certificates of Indebtedness, 3 1/2%, due February 1, 1946</td>
<td>$150,000.00</td>
<td>$150,000.00</td>
<td>$150,020.00</td>
</tr>
<tr>
<td>U. S. Treasury Certificates of Indebtedness, 3%, due March 1, 1946</td>
<td>$570,000.00</td>
<td>$570,173.94</td>
<td>$570,063.79</td>
</tr>
<tr>
<td>U. S. Treasury Certificates of Indebtedness, 3%, due April 1, 1946</td>
<td>$550,000.00</td>
<td>$550,148.88</td>
<td>$550,071.50</td>
</tr>
<tr>
<td>U. S. Treasury Certificates of Indebtedness, 3%, due May 1, 1946</td>
<td>$525,000.00</td>
<td>$525,195.47</td>
<td>$525,110.05</td>
</tr>
<tr>
<td>U. S. Treasury Certificates of Indebtedness, 3%, due June 1, 1946</td>
<td>$525,000.00</td>
<td>$525,183.43</td>
<td>$525,073.50</td>
</tr>
<tr>
<td>U. S. Treasury Certificates of Indebtedness, 3%, due August 1, 1946</td>
<td>$525,000.00</td>
<td>$525,192.64</td>
<td>$525,105.05</td>
</tr>
<tr>
<td>U. S. Treasury Certificates of Indebtedness, 3%, due September 1, 1946</td>
<td>$525,000.00</td>
<td>$525,196.61</td>
<td>$525,100.00</td>
</tr>
<tr>
<td>U. S. Treasury Certificates of Indebtedness, 3%, due January 1, 1946</td>
<td>$150,000.00</td>
<td>$150,046.95</td>
<td>$150,010.00</td>
</tr>
<tr>
<td>U. S. Treasury Certificates of Indebtedness, 3%, due July 1, 1946</td>
<td>$600,000.00</td>
<td>$600,263.00</td>
<td>$600,150.00</td>
</tr>
<tr>
<td>U. S. Treasury Certificates of Indebtedness, 3%, due December 1, 1946</td>
<td>$1,500,000.00</td>
<td>$1,500,000.00</td>
<td>$1,500,000.00</td>
</tr>
<tr>
<td><strong>Sinking Fund:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>U. S. Treasury Certificates of Indebtedness, 3%, due April 1, 1946</td>
<td>$600,000.00</td>
<td>$600,150.00</td>
<td>$600,078.00</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Employee's Retirement System Deficiency Fund:</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>U. S. Treasury Bonds, 3 1/4%, due December 15, 1949-50</td>
<td>$725,000.00</td>
<td>$746,466.19 (Note 1)</td>
<td>$748,249.75</td>
</tr>
<tr>
<td>U. S. Treasury Bonds, 2 1/4%, due September 16, 1950-51</td>
<td>$780,000.00</td>
<td>$814,590.17 (Note 1)</td>
<td>$812,619.50</td>
</tr>
<tr>
<td>U. S. Treasury Bonds, 2 1/4%, due November 15, 1952-53</td>
<td>$100,000.00</td>
<td>$100,000.00</td>
<td>$98,800.00</td>
</tr>
<tr>
<td>U. S. Treasury Bonds, 2 1/4%, due June 16, 1955-56</td>
<td>$550,000.00</td>
<td>$550,071.50</td>
<td>$550,070.00</td>
</tr>
<tr>
<td>U. S. Treasury Bonds, 2 1/4%, due June 15, 1957-58</td>
<td>$200,000.00</td>
<td>$200,000.00</td>
<td>$200,310.00</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>$2,641,768.15</td>
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<table>
<thead>
<tr>
<th>Insurance Fund:</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>U. S. Treasury Bonds, 2 1/4%, due September 15, 1959-60</td>
<td>$1,850,000.00</td>
<td>$1,912,203.44 (Note 1)</td>
<td>$1,926,198.55</td>
</tr>
<tr>
<td>U. S. Treasury Bonds, 2 1/4%, due December 15, 1959-60</td>
<td>$60,000.00</td>
<td>$59,978.50 (Note 1)</td>
<td>$59,885.50</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>$1,916,181.92</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Current Assets Available for Debt Service and General Corporate Purposes:</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>U. S. Treasury Bonds, 2 1/4%, due December 15, 1954-55</td>
<td>$1,400,000.00</td>
<td>$1,400,000.00</td>
<td>$1,461,250.00</td>
</tr>
<tr>
<td>U. S. Treasury Bonds, 2 1/4%, due September 16, 1959-60</td>
<td>$8,510,000.00</td>
<td>$8,512,584.52 (Note 1)</td>
<td>$8,572,619.10</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>$10,910,000.00</td>
</tr>
</tbody>
</table>

**Total**                                                                                     |                  |          | $31,955,000.00 |

**Note 1:** Amortized Cost.
## SCHEDULE 2

**THE PORT OF NEW YORK AUTHORITY**

**Statement of Funded Debt at December 31, 1945**

<table>
<thead>
<tr>
<th>Debt Description</th>
<th>Amount Authorized</th>
<th>Amount Outstanding</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>GENERAL RESERVE FUND, SERIES H, 1% SERIAL NOTES, DUE 1946-1950 ($2,800,000 due April 1, 1946)</strong></td>
<td>$14,000,000.00</td>
<td>$14,000,000.00</td>
</tr>
<tr>
<td><strong>TERMINAL BONDS, SERIES J, 1 3/4%, DUE 1985 (Note 1)</strong></td>
<td>7,500,000.00</td>
<td>7,500,000.00</td>
</tr>
<tr>
<td><strong>GENERAL AND REFUNDING BONDS (Note 2)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fourth Series, 3%, due 1976 (Note 3)</td>
<td>$1,924,000.00</td>
<td>75,009,000.00</td>
</tr>
<tr>
<td>Fifth Series, 6 1/2%, due 1977 (Note 8)</td>
<td>81,924,000.00</td>
<td>75,009,000.00</td>
</tr>
<tr>
<td>Seventh Series, 2%, due 1973</td>
<td>57,511,000.00</td>
<td>42,559,000.00</td>
</tr>
<tr>
<td>Eighth Series, 2%, due 1974</td>
<td>14,281,000.00</td>
<td>14,281,000.00</td>
</tr>
<tr>
<td>Ninth Series, 1 1/2%, due 1985</td>
<td>17,671,000.00</td>
<td>17,671,000.00</td>
</tr>
<tr>
<td></td>
<td>12,000,000.00</td>
<td>12,000,000.00</td>
</tr>
<tr>
<td></td>
<td><strong>$183,120,000.00</strong></td>
<td></td>
</tr>
</tbody>
</table>

**NOTES:**

1. During 1945 the Authority established its General and Refunding Bonds, Tenth Series, 1%, due 1985 which are to be issued in exchange for its Terminal Bonds, Series J, 1 3/4%, due 1985 in accordance with the agreement with the holders of these bonds. On December 31, 1945, there was on deposit with the trustee $7,000,000 principal amount of these Tenth Series Bonds in temporary certificate form. These Temporary certificates are to be replaced by the definitive bonds which will eventually be issued in exchange for the Terminal Series J Bonds.

2. On December 31, 1945, there was pledged as collateral to the General and Refunding Bonds $22,500,000.00 principal amount of New York-New Jersey Interstate Bridge Bonds.

3. Sinking fund payments due within one year from December 31, 1945, are as follows:
   - General and Refunding Bonds, Fourth Series: $1,576,006.88
   - General and Refunding Bonds, Fifth Series: 1,663,000.00
   - General and Refunding Bonds, Seventh Series: 320,000.00
   - Construction of Holland Tunnel Viaduct: 2,474,000.00
   - Total: $19,200,000.00

4. On February 7, 1946 the Commissioners authorized the issuance of the Eleventh Series of its General and Refunding Bonds in the principal amount of $19,200,000.00 for the following purposes:
   - Refunding of General Reserve Fund Series H, 1% Notes: $14,745,000.00
   - Estimated amount necessary to liquidate entire liability to the State of New York in respect of Gowanus Bay Terminal (see balance sheet of Pier Development Fund—Exhibit D): 1,063,000.00
   - Necessary capital improvements to the Grain Terminal: 239,000.00
   - Construction of Holland Tunnel Viaduct: 2,474,000.00
   - Total: $19,200,000.00
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Port of New York Authority

Annual Report

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