

*Excerpt from Exhibit S-36*

Under the 1962 Statutes the States also have covenanted that they will not diminish or impair the Port Authority's power to determine the quantity, quality, frequency or nature of the service provided in connection with such facility.

The Authority has covenanted with the holders of Consolidated Bonds to establish charges in connection with facilities whose net revenues are pledged as security for such bonds (all present Authority facilities not including cars acquired under the aforesaid New York State Commuter Railroad Car Program) to the end that at least sufficient net revenues may be produced therefrom to provide for the debt service on all Consolidated Bonds, but in the event that such net revenues are insufficient to provide for the debt service on Consolidated Bonds, to make good any deficiency out of the General Reserve Fund or other available revenues, moneys or funds and for that purpose to establish charges in connection with facilities the surplus revenues of which are payable into the General Reserve Fund (including all its existing bridges and tunnels, air, marine and inland terminals, the Hudson Tubes, and the World Trade Center when constructed) to the end that combined surplus revenues may be produced therefrom at least sufficient to cover debt service on Consolidated Bonds through the medium of the General Reserve Fund.

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**Excerpt from Exhibit S-38**

## QUOTATIONS OF AUTHORITY BONDS

NEW YORK TIMES  
FEBRUARY 7, 1975

		<u>Due</u>	<u>Bid</u>	<u>Asked</u>	<u>Bid Chg.</u>
Indiana Toll Road	3½%	1/1/94	74½	76½	+2½
Kansas Turnpike	3⅜%	10/1/94	74	77	+2
Mass Port	3.80%	2004	66	69	—
Mass Port	6%	2011	87	91	—
Port of N. Y.	4¾%	2003	71	74	+½
Port of N. Y.	5½%	2008	77½	80½	+½
Port of N. Y.	6%	2008	86	90	—1

**Excerpt from Exhibit S-39**

## QUOTATIONS OF AUTHORITY BONDS

NEW YORK TIMES  
FEBRUARY 8, 1975

		<u>Due</u>	<u>Bid</u>	<u>Asked</u>	<u>Bid Chg.</u>
Indiana Toll Road	3½%	1/1/94	77½	80½	+3
Kansas Turnpike	3⅜%	10/1/94	74	77	—
Mass Port	3.80%	2004	66	69	—
Mass Port	6%	2011	88	92	+1
Port of N. Y.	4¾%	2003	71½	74½	+½
Port of N. Y.	5½%	2008	77½	80½	—
Port of N. Y.	6%	2008	86	90	—

**Excerpt from Exhibit S-40**  
PORT OF NEW YORK AUTHORITY  
HEARINGS  
Before  
SUBCOMMITTEE No. 5  
of the  
COMMITTEE ON THE JUDICIARY  
HOUSE OF REPRESENTATIVES  
EIGHTY-SIXTH CONGRESS  
Second Session

November 28, 29, 30, December 1 and 2, 1960

Serial No. 24

Part 1

Mr. Maletz. Mr. Tobin, at a later stage of this hearing, the sub-committee will ask you a number of questions pertaining to the port authority's activities in connection with the rail commuter problem in the New York-New Jersey area. At this point, I will inquire only as to events leading up to passage of legislation in 1959 of a New York State railroad commuter car financing program. You are familiar with that legislation, are you not?

Mr. Tobin. Yes, sir, I am quite familiar with it.

Mr. Maletz. Do you know a Robert W. Purcell?

Mr. Tobin. Very well.

\* \* \*

Mr. Maletz. In 1959, was he adviser to Governor Rockefeller of New York on the New York commuter rail problem?

*Excerpt from Exhibit S-40*

Mr. Tobin. He was. The latter part of 1958 and the early part of 1959—and then he resigned.

\* \* \*

Mr. Maletz. Did Mr. Purcell, after extensive study, propose a plan or suggest initially a plan whereby the port authority would purchase commuter railroad equipment and lease the same to the Long Island Railroad and the New York Central Railroad for 25 years at a rental which would reimburse the port authority for its total cost, including carrying charges, over the terms of the lease?

Mr. Tobin. He did. And that plan was enacted into law in both States, and I helped him work it out.

Mr. Maletz. Let me ask you this next question. Listen very carefully. Was it part of Mr. Purcell's original proposal that the port authority should finance this railroad commuter car program?

Mr. Tobin. We discussed that.

Mr. Maletz. Would you answer the question?

Mr. Tobin. Yes, I am answering it. We discussed that.

Mr. Maletz. Was it part of Mr. Purcell's original proposal that the port authority should finance this railroad commuter car program?

Mr. Tobin. No, it was not.

Mr. Maletz. It was not?

Mr. Tobin. It was not, in the sense that Mr. Purcell and I discussed that possibility. We discussed it for weeks. And he was exploring the possibilities of that, and I was giving him the reasons why, as a matter of the pledging of the general reserve fund, that was not legally or financially possible.

Mr. Maletz. Is it your testimony, under oath—

Mr. Tobin. Oh, come, come. I am an officer of the State of New York. Do not give me that. I am here and I will

*Excerpt from Exhibit S-40*

testify to any facts you want. But do not give me that stuff of, is it under oath. I am testifying under oath. I am a lawyer and an officer of the State of New York, and I am very clear about it. And do not tell me I am testifying under oath.

The Chairman. Mr. Marshall, will you see that order is maintained here? And please do not make any such outbursts, Mr. Tobin.

Mr. Tobin. Then ask your counsel not to throw that kind of gratuitous slur at me. I am not here to take it.

The Chairman. If you—

Mr. Tobin. And I do not intend to.

The Chairman. If you object to a question, you have counsel. He can object. And then the Chair will pass upon it. The Chair will pass upon it.

Mr. Tobin. Then let us drop this police court stuff of you realize you are testifying under oath.

The Chairman. Are you now making any charges against this committee?

Mr. Tobin. Yes, I am objecting very much to that crack. I do not like it. I am not accustomed to it.

The Chairman. Then your counsel is here to protect your interests and your rights. Now, Mr. Maletz.

Mr. Maletz. Mr. Chairman—

Mr. Tobin, did Mr. Purcell propose initially that the port authority should finance this railroad car commuter program?

Mr. Tobin. Mr. Purcell asked me to discuss that with him.

Mr. Maletz. Did he propose it?

Mr. Tobin. And I did.

Mr. Maletz. Did he propose such a plan?

Mr. Tobin. I am answering it my own way. He asked me to discuss that with him, and he asked me questions.

*Excerpt from Exhibit S-40*

We explored the possibility of whether or not such a plan was possible. But we never reached any point, as your question indicates, where he submitted a proposal to me that we do that.

Mr. Maletz. Did he suggest at any time in February or March of this year that the port authority should finance the railroad commuter car program?

Mr. Tobin. I say we discussed that, and he told me he wanted to discuss that. And we did.

Mr. Maletz. Did he ever make that suggestion?

Mr. Tobin. Well, I am saying, I think, Mr. Maletz, that we are saying about the same thing. I think there were discussions. He asked me to meet him. We sat down, and he said: "I would like to explore with you the possibilities of pledging the port authority general reserve funds to purchase the railroad equipment."

And I explained the reason for him, and had a long exchange of correspondence with him, over the weeks and weeks as to why that was legally and financial impossible. And a matter which he then completely accepted, and stated with the greatest strength, in his report.

The Chairman. In other words, at the beginning, at least, he made that proposal, and you objected to it?

Mr. Tobin. Yes, Mr. Chairman.

Mr. Maletz. Was it estimated that under Mr. Purcell's original suggestion, about \$200 million of railroad commuter cars, could be purchased?

Mr. Tobin. The figure escapes me. It was a large figure, Mr. Maletz. I can verify that.

Mr. Maletz. Would it be about \$200 million?

Mr. Tobin. It seems high to me, because what we have been working on under the statute over the past year and a half has been a project involving the purchase of \$40

*Excerpt from Exhibit S-40*

million in cars. We may have gotten up into the astronomy of \$200 million. But I am not clear on it.

Mr. Maletz. Was it Mr. Purcell's reaction that such a program, under port authority financing, could provide new cars for commuters in the New York area sometime during 1960?

Mr. Tobin. We were talking in the beginning of 1959. And I think we both believed and hoped that we could work out a program together, and we finally did—that we would begin to supply cars in 1960. I think we both—that is a narrative recollection upon my part. But I would assume that was our timing.

Mr. Maletz. Mr. Tobin, I take it that you, as an officer of the port authority, were greatly exercised over Mr. Purcell's suggestion to require the port authority to finance the railroad commuter program.

Mr. Tobin. Well, it was financially and legally impossible. And I was greatly concerned that he, with the respect I had for him, and he was speaking for the Governor's office, should think that the general reserve fund could be pledged for that purpose, with all the perfectly terrible credit and financial consequences of such a matter. And I was very much concerned about it.

Mr. Maletz. I take it that you, speaking for the port authority, took the position that such a proposal would terribly impair the port authority's credit?

Mr. Tobin. Oh, yes. And I took that position not only with Mr. Purcell, but with the Governor himself, and with all of us concerned about it. There were great conversations. Our board was in them. And in the discussions. And we discussed it with the investment bankers, down in the street. And it was quite—there were weeks of very earnest and serious discussions, which resulted in the final

*Excerpt from Exhibit S-40*

plan worked out, in Mr. Purcell's report, in which he came to recognize that the general reserve fund could not possibly be pledged for such purpose without destroying the port authority's credit.

And you will find that his report, be it February or March of 1959, expressly says that.

Mr. Maletz. You mean the report of March 16?

Mr. Tobin. Bob Purcell's final report.

Mr. Maletz. I see. Now, did you—

Mr. Tobin. Which was the report that recommended the legislation that was enacted.

Mr. Maletz. We are going to go through all these steps in a moment, Mr. Tobin.

Did you in the latter part of February 1959 ask various of the principal investment bankers who handled port authority bonds to attend a meeting at the First National City Bank the following day, March 1?

Mr. Tobin. I met with all the investment bankers. I met with what we would call the syndicate heads, and with our banking advisers, who are the National City Bank, and discussed this problem.

Now, in the normal course, that is the type of meeting that I would call. And I could go back through our files, and if you have files from the National City Bank that shows that that is the time of that meeting, then undoubtedly it is—that would be an accurate report.

Mr. Maletz. Did you call the meeting?

Mr. Tobin. I would assume that I probably asked the National City Bank to call the meeting, which would be the normal way to proceed. I would ask Mr. Pfeffer, the vice president of government and municipal securities at the National City Bank, who is in a personalized sense our general banking consultant and adviser—I would ask him to call such a meeting.



*Excerpt from Exhibit S-40*

Mr. Maletz. At this particular meeting, were representatives, if you recall, of the investment banking firms of Harriman Ripley; Halsey, Stuart; Blyth & Co.; Glore, Forgan, & Drexel present.

Mr. Tobin. Those would be the syndicate leaders. I am not saying I remember that—though if the National City Bank memo that you have says that is who was there, that is in the normal course. I can add that is about who would be there.

Mr. Maletz. And I take it these investment banking concerns are the principal underwriters of port authority bond issues.

Mr. Tobin. Usually a syndicate—with the sizes of our issues, it splits into two syndicates. Generally, as you had typically in the one last week, Halsey, Stuart is the head of one syndicate, and Whitely, Howard are the other—and Forgan and Harriman, Ripley are parts of one syndicate or another.

Mr. Maletz. I see. At this meeting, did you appeal to these investment bankers for help in blocking the Purcell plan to the extent that it called for port authority financing of a railroad commuter car program?

Mr. Tobin. At that meeting I outlined to them what Purcell and I were discussing, and its concerns and dangers, and it would be perfectly apparent to them. And, of course, they had taken the responsibilities for selling millions of dollars of port authority bonds to their investors. And on any matter such as this that would—if it ever should eventuate—would seriously threaten the investments of those they had sold bonds to, as responsible bankers, and having in mind their fiduciary capacity, that was a matter in which they would have the same moral concern that I would.

*Excerpt from Exhibit S-40*

Mr. Maletz. Let me repeat the question. At this meeting, did you appeal to these investment bankers for help in blocking the Purcell proposal to the extent that it called for port authority financing of a railroad commuter car program?

Mr. Tobin. I object to your words, and I will not answer that question with the words in it "appeal" and "blocking." They are colored words.

Mr. Maletz. Are they colored, Mr. Tobin?

Mr. Tobin. They——

Mr. Maletz. Are they colored?

Mr. Holtzman. What is colored about the word "appeal," Mr. Tobin?

Mr. Goldstein. Excuse me, Mr. Holtzman.

Mr. Holtzman. Just a minute. What is colored about the word "appeal"?

Mr. Tobin. Well, I would rather discuss the matter in my own way. I went down there, and I outlined this situation to them, and I said here is a serious situation. And they agreed with me. I urged that in their interests, and in the interests of their investors, they stand with me in saying what would happen if the port authority ever attempted to pledge its general reserve for a commuter rapid transit cars in that context of 1959.

Mr. Maletz. Mr. Tobin, do you recall you yourself using the word "appeal"?

Mr. Tobin. No, I do not.

Mr. Maletz. I show you a letter dated March 17, 1959, from you to Mr. Joseph P. Ripley, of Harriman Ripley.

Mr. Tobin (reading):

Dear Joe.

Mr. Maletz. You can read it to yourself, and then we will read it later.

*Excerpt from Exhibit S-40*

Mr. Tobin (reading):

In the light of our discussion in your office on March 5 about commuter rapid transit and the port authority, I thought you would like to have the full transcript of our newspaper release.

In the course of my discussions with Governor Rockefeller and Mr. Purcell subsequent to March 5th the proposal for port authority participation on the basis of what was called "equipment trust financing" or, for that matter, suggestions for any financial assistance by the port authority in the field of commuter rapid transit was dropped. We were then able to come to this combination of State advances and bonds guaranteed by the State with the port authority simply carrying out the administrative and managerial work of the State's participation.

Thank you very much again for your letter of March 5. We were, as you know, shocked by Blyth & Co.'s refusal in this crisis to stand by the customers to whom they had sold port authority—

The Chairman. What did you say about Blyth & Co.?

Mr. Tobin (reading):

We were, as you know, shocked by Blyth & Co.'s refusal in this crisis to stand by the customers to whom they had sold port authority securities throughout the years. On the other hand, the commissioners were absolutely certain that such an attitude would be at the ends of the earth from your sense of investment responsibility. And this prompted our immediate and direct appeal for your help—which, as on so many other occasions throughout the creation and development of the authority, was immediately forthcoming.

Sincerely,

Austin J. Tobin.

*Excerpt from Exhibit S-40*

Mr. Maletz. Would you read that last sentence again, Mr. Tobin.

Mr. Tobin. Yes. [Reading:]

Thank you very much again for your letter of March 5. We were, as you know, shocked by Blyth & Co.'s refusal in this crisis to stand by the customers to whom they had sold port authority securities throughout the years.

Mr. Maletz. I said the last sentence.

Mr. Tobin (reading):

On the other hand, the commissioners were absolutely certain that such an attitude would be at the ends of the earth from your sense of investment responsibility. And this prompted our immediate and direct appeal for your help—which, as on so many other occasions throughout the creation and development of the authority, was immediately forthcoming.

\* \* \*

Mr. Maletz. So you used the word “appeal,” did you not?

Mr. Tobin. Yes, I did.

Mr. Maletz. At this meeting of March 1, did you appeal to the investment bankers for help in blocking the Purcell plan to the extent that it called for port authority financing of a railroad commuter car program?

Mr. Tobin. We appealed to them to bring to the attention of Mr. Purcell and the Governor, which they did, the consequences of any such ill-advised financing as that.

Mr. Holtzman. Just one question at that point.

In your previous response, you indicated that the futility of this kind of program would be “apparent” to these investment people at this National City meeting. Nevertheless, and in spite of that, you felt it necessary to appeal to them to block this plan. Is that a fair statement, Mr. Tobin?

*Excerpt from Exhibit S-40*

Mr. Tobin. I felt—I certainly conscientiously was obliged to call to their attention what was happening, and to urge that they advise all men in the financial field for whom both the Governor and Mr. Purcell would have the utmost respect and confidence, to acquaint Mr. Purcell with the very grievous consequences of any such proposal as that.

Mr. Maletz. Mr. Chairman, did you, sir, at this meeting of March 1, submit a suggested letter for the investment bankers to sign, disapproving the Purcell plan on the ground that it would impair the credit of the port authority?

Mr. Tobin. I do not remember submitting such a letter. As I recall it, they all wrote their own letters.

Mr. Maletz. Did you submit a suggested letter?

Mr. Tobin. I do not remember.

Mr. Maletz. You do not recall.

At this meeting, did Harriman Ripley; Halsey, Stuart; Glore, Forgan, and Drexel agree to send a letter, such as you had suggested, disapproving the Purcell plan for port authority financing of a railroad commuter car program?

Mr. Tobin. My only—Mr. Maletz, so that you and I do not get into another eruption—my only point is that I do not remember a particular meeting. I have said that. I have not any doubt there was such a meeting. I had innumerable meetings with the investment bankers during that period.

So that such meetings as you describe were held, and would be held again in similar circumstances. But I am only saying—you asked me was there this meeting on March 1 or whatever it was. And I do not remember that. And if you had told me before I came down that you wanted to discuss this, I would have had all the dates and the times and the people. But you apparently did not

*Excerpt from Exhibit S-40*

want me to know that you were going to discuss this before we came down.

The Chairman. Wait a minute, Mr. Tobin. We apprised you of what we were going into. We could not go into all the details. That would be impossible.

Now, proceed with the questioning, Mr. Maletz.

Mr. Maletz. Now I take it that these investment banking concerns responded to your appeal by sending letters disapproving the Purcell plan on the ground that it would materially impair the port authority credit: is that correct?

Mr. Tobin. All except Blyth & Co.

Mr. Maletz. You remember Blyth & Co. refused; is that right?

Mr. Tobin. I remember that very well.

Mr. Maletz. Now I take it that these banking concerns have made a rather considerable profit over the years in underwriting port authority bond issues.

Mr. Tobin. No. They always complained that they get badly hooked on a port authority issue. As a matter of fact they are right now. We sold \$25 million last Monday, and it is stuck, and they only sold \$2 million of it. However, they are in business, and they are in business to make money, and I assume that they make enough on it so that they will bid on the next issue, as they bid on the one last Monday.

Mr. Maletz. Is it not true on June 17, 1959, a syndicate led by Halsey, Stuart; Glore, Forgan, and Drexel, were successful bidders for a \$30 million port authority consolidated bond issue?

Mr. Goldstein. Are you reading again from a record?

Mr. Maletz. Do you recall that?

Mr. Tobin. In or about that period, yes. What I would recall the Halsey, Stuart syndicate, were the successful bidders on an issue of port authority bonds.

*Excerpt from Exhibit S-40*

Mr. Holtzman. On that point. This was in spite of their complaints about losing money on these transactions?

Mr. Tobin. These are market complaints. If we went down to the street again, you would hear, "Oh, my God, we are hooked on another port authority issue." And you and I both know they are still in business, and they will be back there bidding on the next port authority issue.

Mr. Maletz. Without revealing specific figures, are you familiar with the fact that this syndicate made a very substantial profit indeed on their June 17, 1959, bid?

Mr. Tobin. I do not know. It was a public bid that they submitted and we accepted. It is really—we never get the figures on what they do, or do not.

Mr. Maletz. You would assume they do make a profit?

Mr. Tobin. I certainly would.

Mr. Maletz. On the port authority securities.

Mr. Tobin. Or any securities—State of New York securities, city of New York securities, U.S. Government securities, or they couldn't stay in business.

Mr. Maletz. Yes, we understand that.

Mr. Tobin. You seem to be making a point of it.

Mr. Maletz. Well, these are the bankers that you appealed to for help, Mr. Tobin?

Mr. Tobin. I appealed to all of them for help—the investment market.

Mr. Maletz. Now, Blyth & Co. is one of your principal investment underwriters, is it not?

Mr. Tobin. Yes, it is.

Mr. Maletz. Is it or is it not a fact that at this meeting of March 1, at the First National City Bank, the representatives of Blyth & Co. advised you that they would not sign the suggested letter that you had sent disapproving the Purcell plan?

*Excerpt from Exhibit S-40*

Mr. Tobin. I do not remember whether it was at that meeting. I do not remember at this stage, subject to checking my files, that I prepared a suggested letter. I do remember at some stage in or about that time, Blyth & Co. said they would not submit such a letter, and I told them in unvarnished language what I thought of their sense of moral responsibilities to the people they had sold port authority bonds to.

Mr. Maletz. Now, Mr. Eugene—

Mr. Tobin. An opinion I still carry with respect to the particular individual in Blyth & Co. who made that decision.

Mr. Maletz. I see. And I take it that would be Mr. Mr. Reginald M. Schmidt?

Mr. Tobin. It certainly would.

Mr. Maletz. The vice president?

Mr. Tobin. Yes.

Mr. Maletz. Who was then head of the municipal financing department of Blyth?

Mr. Tobin. Yes. Since retired.

Mr. Maletz. Mr. Eugene Mintkeski, treasurer of the port authority, was formerly associated with Blyth & Co.

Mr. Tobin. Yes, we got him 12 or 15 years ago.

Mr. Maletz. As you previously testified, Mr. Schmidt was in March 1959 a vice president of Blyth & Co., and head of its municipal finance department.

Mr. Tobin. What is the date there?

Mr. Maletz. About March 1959.

Mr. Tobin. Yes, he was.

Mr. Maletz. Did you ask Mr. Mintkeski to call Reginald M. Schmidt at home or at any time to urge him to sign a letter disapproving the Purcell plan to the extent that it called for port authority financing?

Mr. Tobin. I have a recollection of asking Gene to call Reginald Schmidt about what I felt was the shocking conduct that he was recommending.



*Excerpt from Exhibit S-40*

Mr. Maletz. The shocking conduct was that he would not sign the letter that you had suggested disapproving—

Mr. Tobin. I do not remember—but some letter, such as all the other investment bankers were signing.

The Chairman. What other letter could it be?

Mr. Tobin. They all signed different letters. I have the letters. They were submitted to the Governor. They are published in our reports on rapid transit, in the investigations by the New Jersey Senate and Assembly—senate or assembly.

Mr. Maletz. Now, do you know whether Mr. Mintkeski called Mr. Schmidt?

Mr. Tobin. I do not remember. But if you had told me you wanted to get into this subject, I would have gone into all of this—the record of these.

Mr. Maletz. Do you remember that now?

Mr. Tobin. I remember that it was a negative response that he got.

Mr. Maletz. Did Mr. Mintkeski, according to your present recollection, report to you as to the nature of the conversations with Mr. Schmidt?

Mr. Tobin. I do not remember as I sit here. He most certainly did.

Mr. Maletz. Well, I take it—

Mr. Tobin. Whatever it was, he reported it to me.

Mr. Maletz. I take it Mr. Mintkeski, Mr. Chairman, is in this room. May I suggest—

The Chairman. Yes. Is Mr. Mintkeski here?

Mr. Mintkeski. Yes.

The Chairman. Would you step forward, Mr. Mintkeski, please.

Do you solemnly swear the testimony you will give is the truth, the whole truth, and nothing but the truth, so help you God?

*Excerpt from Exhibit S-40*

Mr. Mintkeski. I do. May I stand so I can hear you better and you can hear me better?

TESTIMONY OF EUGENE A. MINTKESKI, DEPUTY DIRECTOR OF  
FINANCE AND TREASURER, PORT OF NEW YORK AUTHORITY

Mr. Maletz. Would you state for the record your name and address?

Mr. Mintkeski. Eugene Mintkeski, 100 Rocky Wood Road, Manhasset, Long Island.

Mr. Maletz. Are you an officer of the port of New York?

Mr. Mintkeski. Yes, deputy director of finance and treasurer.

Mr. Maletz. How long have you been with the port authority?

Mr. Mintkeski. Since April 1948.

Mr. Maletz. And you previously have been associated with Blyth & Co?

Mr. Mintkeski. The previous 12 years.

Mr. Maletz. I see. Mr. Mintkeski, do you recall telephoning Mr. Reginald Schmidt of Blyth & Co. on the evening of March 1, 1959, and telling him that you were very much disturbed over the fact that Blyth & Co., would not sign a letter disapproving the Purcell plan?

Mr. Mintkeski. I may have, but I don't remember, sir, and I wouldn't tell him that; no, sir.

The Chairman. You have no recollection whatsoever of telephoning Mr. Schmidt?

Mr. Mintkeski. Not on that particular point, Mr. Chairman.

Mr. Maletz. All right, sir.

Mr. Holtzman. Do you remember any conversation with Mr. Tobin relative to this point—Mr. Schmidt, rather?

Mr. Mintkeski. Yes; I may have talked to Mr. Schmidt about this. After all, Mr. Schmidt was my former boss. I was very friendly with him.

*Excerpt from Exhibit S-40*

Mr. Maletz. Do you remember now calling him?

Mr. Mintkeski. No; I don't—not on this point.

The Chairman. Do you remember having a conversation with him, where you discussed this Purcell plan and asked him to write this disapproving letter?

Mr. Mintkeski. No; I have never asked him to do that at all, sir. He wasn't even at the meeting to which you refer.

Mr. Maletz. I have no further questions of you, Mr. Mintkeski, at this moment.

Mr. Tobin, on March 2 or thereabouts, did you send a 10-page letter to Mr. Purcell, expressing opposition to his plan for port authority railroad commuter financing?

Mr. Tobin. May I have the letter that you are talking about, please?

Mr. Maletz. Certainly. I would first ask you whether you recall sending him a letter.

Mr. Tobin. I sent him a number of letters. He sent me a number of letters.

The Chairman. This is for identification only?

Mr. Maletz. For identification only.

Do you recall that letter now, Mr. Tobin?

Mr. Tobin. Yes; I do.

Mr. Maletz. I see. May we have it back?

Do you recall, Mr. Tobin, that on March 3 or thereabouts, you and Mr. Howard Cullman went over to see Joseph Ripley, chairman of the board of Harriman Ripley, for the purpose of getting him to intercede with Mr. Reginald Schmidt of Blyth & Co., and have him write a letter disapproving the Purcell plan?

Mr. Tobin. I remember that—I don't remember that the date was March 3, but somewhere in around there—Mr. Howard Cullman and I went to see Mr. Joseph Ripley for the purposes you have indicated.

Mr. Maletz. Having him intercede with Mr. Schmidt?

*Excerpt from Exhibit S-40*

Mr. Tobin. Yes.

Mr. Maletz. Who is Howard Cullman?

Mr. Tobin. Howard Cullman has been a commissioner of the Port of New York Authority for 33 years. He was formerly its vice chairman for 10 years, and then its chairman for 10 years. He is now its honorary chairman.

Mr. Maletz. Why did you have Mr. Cullman go with you to visit Mr. Ripley?

Mr. Tobin. Why not?

Mr. Maletz. I am asking you why.

Mr. Tobin. Mr. Cullman is the chairman—was the chairman of the port authority.

Mr. Maletz. Was he the chairman at that time, in 1959?

Mr. Tobin. I don't—

The Chairman. Who was chairman in 1959?

Mr. Tobin. No. He was not chairman at that time. He was the honorary chairman at that time.

Mr. Maletz. Why did you get him to go with you?

Mr. Tobin. Mr. Howard Cullman goes with me on all sorts of port authority business, and has for the last 30 years. Why did you and the chairman go to see somebody on some proper purpose of this committee?

The Chairman. He was honorary chairman—

Mr. Tobin. But he is a commissioner, he is a full commissioner of the port authority.

The Chairman. At the present time, too? Was he full commissioner at that time?

Mr. Tobin. Yes. He still is.

The Chairman. And the chairman was some other person?

Mr. Tobin. The chairman at that time, my best recollection of it, was Mr. Donald Lowe, of New Jersey.

Mr. Maletz. Did Mr. Ripley tell you, and Mr. Cullman—

*Excerpt from Exhibit S-40*

Mr. Tobin. Mr. Chairman, that is the confusing thing. When you say honorary chairman, you assume a retirement. This was not so in this case at all. Howard Cullman was then, and is right today, a very active commissioner of the port authority. Well, you recall that. You have subpoenaed him here.

The Chairman. What is that?

Mr. Tobin. You will recall that. You have subpoenaed him here.

Mr. Maletz. Did Mr. Ripley tell you and Mr. Cullman that he would do all he could to get Blyth & Co. to go along with the port authority in disapproving the Purcell plan?

Mr. Tobin. That is my best recollection, that he did.

Mr. Maletz. To your knowledge, did Mr. Ripley, for that purpose, have lunch with Mr. Schmidt on that date to discuss his sending a letter disapproving the Purcell plan?

Mr. Tobin. I don't know.

Mr. Maletz. Do you recall on or about March 3, Mr. Tobin, that Mr. Schmidt of Blyth & Co. called you on the telephone?

Mr. Tobin. No; I don't remember the date. In that time Mr. Reginald Schmidt and I had some very brimstone conversations over the telephone.

Mr. Maletz. Some very heated conversations?

Mr. Tobin. Oh, yes.

Mr. Maletz. Did you, in the course of any conversation with Mr. Schmidt, demand that Blyth & Co. write a letter disapproving the Purcell plan?

Mr. Tobin. I have no recollection of that. I certainly was urging him to do so, and I was certainly expressing the most shocked views of his refusal to do so.

Mr. Maletz. Mr. Chairman, at this point I would read a memorandum dated March 4, 1959, prepared by Mr. R. M.

*Excerpt from Exhibit S-40*

Schmidt, who has been identified as vice president of Blyth & Co., and head of its municipal finance department.

On Wednesday—

This is dated March 4, 1959—

On Wednesday, February 25, George Leib called me into his office and asked me to take a call from Mr. Robert W. Purcell. George advised me that Mr. Purcell is on the committee appointed by the Governor to study the railroad commuter and rapid transit problem in New York City.

Mr. Purcell stated that he was working on a plan that he thought would be constructive and wanted my opinion and reaction to it. In brief, it provided for the Port of New York Authority to finance the Long Island Rail Road and New York Central in purchasing all passenger equipment and take therefor their equipment bonds or notes. He thought that the port could do 100-percent financing and extend the payout for 20 to 25 years.

He also stated he read the letter which I had written to the port authority on July 16, 1958, in connection with the New Jersey legislative committee hearing on the subject but he thought that the approach he now suggested possibly eliminated some of the objections I had expressed in that letter. I told him I did not think I could give a quick answer to him as to the feasibility of his idea but it did seem to appear to be ingenious and something worthwhile exploring. We had further discussion regarding the security of the leases as desirable investment for the Port of New York Authority upon which to issue their own bonds.

Also, I stated I did not know whether or not they had the legal authority under the indenture but we agreed there was no point of discussing any further the legal aspects and also there was much room for exploration as to the quality and character of the security offered.

The next we heard about this conversation was that the authority on Friday, February 27, called our office and asked us to meet with them at the First National City Bank on Monday, March 1. George LeVind and Fred Miller attended that meeting. Also, the managers of the syndicates

*Excerpt from Exhibit S-40*

that usually bid for their bonds at public sale: namely, Harriman Ripley & Co.—our joint account partners—and Halsey, Stuart; Glore, Forgan, and Drexel who are joint managers of the competing syndicate. They presented a strong story disapproving the plan and the adverse effect on their credit and market for their bonds; also submitted a suggested letter for the managers to sign. LeVind, Miller, and Hawes discussed their request and also talked with me at home. We all agreed not to sign the letter or send any letter.

Following this, Gene Mintkeski—Port of New York Authority—called me at home and talked with me for about 15 minutes. He apparently was very much disturbed over the fact that we would not sign such a letter and that I had told Mr. Purcell I thought his idea was ingenious, worth studying and exploring. I stated that at no time did I give approval or disapproval to Mr. Purcell's idea. We felt very strongly that we should have in greater detail Mr. Purcell's plan and at least give him an equal chance to present an answer to the position that the Port of New York Authority is taking.

On Tuesday, March 3, at 1 p.m., Joe Ripley of Harriman Ripley telephoned and asked me to go over there for lunch to discuss this Port of New York Authority problem. He had with him Elwood Smith, Stu Silloway and Berry. He stated the luncheon was prompted by Mr. Cullman coming to see him and considerably upset because he had heard that I had given approval to Mr. Purcell's plan and wanted to know whether or not I had.

The foregoing memorandum answers that. I told him specifically I had not given my approval but in response to a call to us I gave Mr. Purcell the courteous consideration that he was entitled to and reviewed the whole story as written above. They had no criticism of my action. In fact, Joe Ripley thought he would have acted in the same manner I had if he had had a call from a representative of Governor Rockefeller.

I reported all this to Messrs. Hawes and Miller and also in compliance with the request from Mr. Cullman

*Excerpt from Exhibit S-40*

(which was arranged by Mr. Ripley). I then called Austin Tobin. The conversation was very unpleasant. He, in fact, requested—if not demanded—that we write a letter disapproving the Purcell plan, which I told him we would not do and I took exception that they quoted me out of context in their letter of March 2, which he denied. The conversation was very acrimonious and I would say that Mr. Tobin was rude, officious and impertinent and I ended by telling him so.

R. M. SCHMIDT.

Then at the bottom :

I advised Purcell that the Port of New York Authority in their letter of March 2 quoted me out of context and without my permission.

Now, does this refresh your recollection, Mr. Tobin, of these events?

\* \* \*

Mr. Tobin. Yes.

Mr. Maletz. Would you say that Mr. Schmidt reported accurately on his telephone conversation with you?

Mr. Holtzman. Except, of course, with respect to the characterization of the witness.

Mr. Tobin. I think from his standpoint he was entitled to use that characterization. I was very strong in what I said to him. I talked to him about his moral and ethical responsibility to the people to whom he had sold bonds. I told him it was a hell of a thing for an investment banker to sell a client a bond and then walk out on him. And I—also he had said to me, which outraged me, that he was taking this position because he thought that Blyth & Co. ought not to get off on the wrong foot with the new administration. And I told him that was a lousy reason. So he was entitled to his characterization of what I said.



*Excerpt from Exhibit S-40*

The Chairman. Couldn't your attitude have been a hell of a thing to the commuters and the general public, too, conceivably?

Mr. Tobin. No, we are doing everything in our power, as was Mr. Purcell, and the State, for the commuters and the general public. I don't agree with that at all, Mr. Chairman.

Mr. Maletz. Mr. Chairman, at this point I would read another memo, from Harriman Ripley, dated March 5, 1959. This is a note to Mr. Ripley, signed "W.W."

Mr. Howard Cullman's secretary just telephoned the following message for you from Mr. Cullman:

"Governor Rockefeller was informed that issuing equipment trust to the railroads would not hurt port authority credit, and that all the investment bankers were unanimous that that was so. And, therefore, Mr. Cullman feels it is very important that Mr. Ripley send him the letter he requested."

I told her that the letter had been done in draft form yesterday afternoon but that you had to leave the office before it was completed, and that I felt sure the letter could be delivered to Mr. Cullman by hand today.

"We can send it to 161 Front Street," she said.

One further memorandum at this point, Mr. Chairman.

A memorandum from the files of Mr. Joseph P. Ripley, re New York Port Authority.

This is just to make a record of the fact that Howard Cullman and Austin Tobin came to see us at 12:30 today. Then we got Reg Schmidt to come over for lunch with S.F.S., E.D.S., H.J.B., and the writer.

Along about 3:45 p.m. Schmidt telephoned me to say that he had telephoned Tobin and that the conversation had ended up in a rather heated exchange of different views.

*Excerpt from Exhibit S-40*

Also, Schmidt says that Blyth are not going to write any letter on this subject.

Mr. Tobin, do you know Dwight Palmer?

\* \* \*

Mr. Goldstein. Excuse me, if you are going to ask Mr. Tobin some questions with respect to those memos—I just merely wanted him to have copies.

Mr. Maletz. I think he has already been interrogated on this very point.

Mr. Tobin, do you know Dwight Palmer?

Mr. Tobin. Very well.

Mr. Maletz. What is his title?

Mr. Tobin. He is the State highway commissioner of New Jersey, and in that department now he has also the division of rail transportation.

Mr. Maletz. Did you, on or about March 4, 1959, have an extensive conversation with Commissioner Palmer concerning the Purcell plan?

Mr. Tobin. Well, I don't know again about dates. I am in constant contact with Commissioner Palmer. Very few days go by that we are not in telephone communications with each other on a myriad of transportation problems in this area. In addition to that, Commissioner Palmer is Governor Meyner's designee as liaison with the port authority, and I am entitled to talk to Commissioner Palmer and keep him advised and understand that I am advising the Governor. He communicates rapidly with the Governor. We will have many conversations in which I tell him I think that the Governor's office ought to be advised of so-and-so, and he will either say he will take care of it, or he will call me back and say that the Governor says he agrees or he doesn't agree. And he frequently will call me and say that the Governor says so-and-so. So he occupies a position in the administrative affairs of New Jersey, and in

*Excerpt from Exhibit S-40*

its relationship with its agency, that is one in which—I am in daily contact with Commissioner Palmer, and certainly it would be my duty to keep Commissioner Palmer advised as to everything that was going on in the Purcell conversations.

And I take it for granted that I did. If I didn't, it would be a grievous fault.

Mr. Maletz: Do you recall a conversation on or about March 4, 1959—

Mr. Tobin. Of course not. You would have to refresh—

Mr. Maletz. Let me finish, please.

Do you recall a conversation on or about March 4, with Commissioner Palmer, in the course of which Commissioner Palmer advised you that Mr. Purcell and Governor Rockefeller considered commuter railroad financing to be the port authority's direct responsibility? Do you recall any such conversation?

Mr. Tobin. No; I don't recall that conversation.

Mr. Maletz. All right.

Mr. Tobin. There was always, in my conversations with Purcell and there are always questions of what is and is not the port authority's responsibility in the field of commuter rapid transit. That is a running discussion and debate in the press, and in official circles, in the boardroom of the port authority, and the Governors' offices, and with Mr. Purcell and Mr.—Commissioner Palmer and with Commissioner Wiprud of New York Commission. As a matter of fact, we were up at the Governor's office this last week discussing exactly this field.

The Chairman. I know you have lots of conversations with them.

Specifically did Commissioner Dwight Palmer of New Jersey tell you in the course of any conversation that Mr. Purcell said that both he and Governor Rockefeller con-

*Excerpt from Exhibit S-40*

sidered commuter railroad financing to be the port authority's direct responsibility?

Mr. Tobin. Well, that was—well, the word “direct,” Mr. Chairman, without quarreling with it—but there were these conversations in which the Governor and Mr. Purcell were saying the port authority has a responsibility in this matter. And they knew I was advising Dwight Palmer, and he advising me back and forth as to what the progress of these conversations were.

Mr. Maletz. Do you recall, Mr. Tobin, writing a confidential memorandum to the file, dated March 5, 1959, entitled “Commuter Railroad Discussions, Proposal of Robert W. Purcell for Equipment Trust Financing”?

Mr. Tobin. No; I don't recall it. You would have to show me the memorandum.

Mr. Maletz. I will show you the memorandum, just for identification.

Mr. Goldstein. Mr. Maletz, this appears to be a memorandum of Mr. Tobin's. May I ask how you obtained that?

Mr. Maletz. Mr. Chairman, the counsel for the port authority has just raised a question.

Mr. Goldstein. I asked that, Mr. Maletz, for the reason that Mr. Tobin would have an ethical problem about discussing conversations with the Governor.

The Chairman. He would have what? Repeat that.

Mr. Goldstein. Ethical problem.

Mr. Maletz. Mr. Chairman, this is not a conversation with the Governor.

The Chairman: This is a conversation with Commissioner Palmer of New Jersey.

Mr. Goldstein. Well, he is the Governor's representative.

Mr. Holtzman. He is not the Governor, though, is he?

Mr. Goldstein. No, sir.

*Excerpt from Exhibit S-40*

Mr. Maletz. Mr. Chairman, I might say this, if I may. This memorandum was obtained from a source which I personally do not think should be stated.

The Chairman. Do you identify the memorandum?

Mr. Tobin. Not yet. My files are loaded with thousands of memorandums, and I must read this. I don't refer to them again. This is some memorandum I may have written March 5, 1959, which I have not seen since.

The Chairman. All right, you may read it.

While Mr. Tobin is reading this letter, Mr. Mintkeski, will you come back to the stand, please?

Mr. Mintkeski. Yes, sir.

Mr. Maletz. Mr. Mintkeski, did you hear the memorandum I had read, prepared by Mr. Reginald M. Schmidt?

Mr. Mintkeski. About my conversation with him?

Mr. Maletz. Yes.

Mr. Mintkeski. Yes, sir.

Mr. Maletz. Does that refresh your recollection?

Mr. Mintkeski. No; I don't remember having a conversation with Mr. Schmidt about that particular problem.

The Chairman. Would you say that Mr. Schmidt is not telling the truth when he makes this statement?

Mr. Mintkeski. Oh, no; I have every confidence he is stating the truth, sir.

The Chairman. Then you believe what he says is true?

Mr. Mintkeski. I may have had a conversation with him, Mr. Chairman, but I don't recall it.

The Chairman. All right.

Have you identified the document now, Mr. Tobin?

Mr. Tobin. No; Mr. Chairman. This is a three-page memorandum full of all sorts of things, and I want to consider it.

The Chairman. I am going to order counsel to state where he got that memorandum from.

*Excerpt from Exhibit S-40*

Mr. Maletz. Mr. Chairman, the memorandum was obtained from the files of Blyth & Co., which turned over various documents concerning its relationship with the port authority in reponse to the subcommittee's request therefor. I believe, Mr. Chairman, too, that a subpoena calling for production of such documents was served on Blyth & Co.

The Chairman. I just asked you to identify it, Mr. Tobin. Have you been able to identify it?

Mr. Tobin. I have only got about a half page to go, Mr. Chairman, and then I will.

Mr. Maletz. Do you recall the memorandum now, Mr. Tobin?

Mr. Tobin. Yes; I do; very well.

Mr. Maletz. You wrote the memorandum?

Mr. Tobin. I did.

Mr. Maletz. I see.

Mr. Chairman, with your permission, I would read this memo.

Would you prefer to read it, Mr. Tobin?

Mr. Tobin. No.

The Chairman. You read it.

Mr. Maletz. This is confidential to file from Austin J. Tobin, executive director, dated Thursday, March 5, 1959, subject "Commuter Railroad Discussions—Proposal of Robert W. Purcell for Equipment Trust Financing."

Commissioner Dwight Palmer had advised me by telephone yesterday morning (March 4) that he had just received a call from Mr. Robert W. Purcell, who is coordinating Governor Rockefeller's study of commuter transportation, in which Mr. Purcell advised him that he (Purcell) and Governor Rockefeller, were making excellent headway in formulating their plan for the commuter rapid transit problem in New York. That part of this plan was to be the financing of necessary commuter railroad cars and other

*Excerpt from Exhibit S-40*

equipment by the port authority on some basis similar to equipment trust financing. Mr. Purcell said that they believed they ought to have a bistate statute authorizing and directing the commissioners of the port authority to handle such financing and that he would like to work out a draft of such a statute with Commissioner Palmer. Mr. Purcell had specifically mentioned the Long Island Rail Road and Commissioner Palmer asked him why the Pennsylvania, who owned 100 percent of the Long Island, would not undertake such financing. Mr. Purcell replied that the Pennsylvania is unwilling to do so and that there was also a question as to whether or not their credit would be sufficient to undertake it.

Mr. Purcell also urged that Commissioner Palmer might be interested in having the port authority undertake the same type of financing for the necessary Hudson & Manhattan equipment but Commissioner Palmer replied that he would certainly not advise the State of New Jersey to involve itself in some \$50 million of equipment and rehabilitation financing for the Hudson & Manhattan and he therefore had serious question as to whether he wanted to pressure an agency of the State of New Jersey, such as the port authority, to get into such a proposal. Commissioner Palmer said that no one could be sure as to the proper function of the Hudson & Manhattan Railroad in the commuter picture say 5 years from now in the light of changes in the transportation pattern that were obviously ahead, particularly in New Jersey.

Mr. Purcell said that it was Governor Rockefeller's wish that Commissioner Palmer take this matter up with Governor Meyner and Commissioner Palmer agreed to do this and to advise Mr. Purcell of the Governor's views.

Commissioner Palmer then wrote a memorandum to Governor Meyner, including a recommendation that they refuse to support such a statute on the ground that any such financing program could prove very dangerous to the continued good credit of the port authority and its ability to continue to go forward with port projects which affected New Jersey as well as the whole port district. Further-

*Excerpt from Exhibit S-40*

more, Commissioner Palmer expressed the view that any attempt to pressure the commissioners of the port authority in a matter that affected their binding commitments to bondholders and their pledge to bondholders not to go forward with any projects that would adversely affect the credit of the port authority was dishonorable and was certain to be self-defeating. Commissioner Palmer also sent Governor Meyner a copy of our letter to Mr. Purcell of March 2.

This morning [March 5] Governor Meyner advised Commissioner Palmer that he had read both his memorandum and the port authority's letter to Mr. Purcell of March 2, that he fully agreed with them, and that he considered Mr. Purcell's proposal "ridiculous."

Commissioner Palmer advised me at 11:30 a.m. this morning that he had just finished a long telephone call to Mr. Purcell who had also put his associate Mr. Golub (also counsel to Herman Stichman, trustee of the Hudson & Manhattan), on the phone. He told Mr. Purcell that both Governor Meyner and he had reviewed his proposal and that they could not go along with it and that frankly they would not consider such legislation to be an honorable course. Commissioner Palmer says that during the course of the conversation he repeated this several times to Mr. Purcell.

Mr. Purcell asked if Commissioner Palmer realized that this meant that Mr. Purcell would have to tell Governor Rockefeller that New Jersey definitely refused to go along in Mr. Purcell's effort to obtain port authority financing of this railroad equipment and Commissioner Palmer replied that although he hadn't stated it just that way that that was the substance of Governor Meyner's and his own position.

Mr. Purcell argued that he regarded his proposal certainly as the least onerous of any suggestions that had been advanced for port authority participation in the commuter railroad problem. And Mr. Purcell said that both he and Governor Rockefeller considered commuter railroad financing to be the port authority's direct responsibility.

Commissioner Palmer advises me that at this point Mr. Purcell turned directly to repeated threats as to Governor



*Excerpt from Exhibit S-40*

Rockefeller's future attitude toward bistate cooperation, with particular reference to the port authority. He said specifically that "the next time New Jersey asks us to do something involving the port authority, we won't do it." Commissioner Palmer replied that he had much more faith in Governor Rockefeller than to accept Mr. Purcell's threat at face value. That he had confidence that Governor Rockefeller was a broadminded person who would not reject a port authority proposal, even though that proposal was supported by New Jersey, provided that Governor Rockefeller thought that it was a good project. Commissioner Palmer says that despite this effort at placating Mr. Purcell that Mr. Purcell kept returning to these threats of future retaliation by the State of New York against the State of New Jersey. He said "I hope you realize that you are closing the door for the future on anything New Jersey wishes to do through the port authority that involves the cooperation of New York."

Mr. Purcell also suggested that from the nature of some of the bills that were pending in the New Jersey Legislature in support of port authority participation in the operation of commuter transit service, he would question whether or not Governor Meyner's position on port authority financing of the rehabilitation and reequipment of these railroads would find support in the New Jersey Legislature.

Commissioner Palmer made notes of his own throughout this amazing conversation and he advises me that he will send me a copy.

Austin J. Tobin, *Executive Director*.

In other words, does this refresh your recollection, Mr. Tobin, that you were advised by Commissioner Dwight Palmer, that according to Mr. Purcell, both he, Purcell, and Governor Rockefeller considered commuter railroad financing to be the port authority's direct responsibility?

\* \* \*

*Excerpt from Exhibit S-40*

Mr. Tobin. It refreshes my recollection as to everything in that memorandum.

Mr. Maletz. Including that particular point?

Mr. Tobin. Including that.

Mr. Maletz. And to rephrase the question, does this refresh your recollection that Commissioner Dwight Palmer of New Jersey told you, in the course of this conversation, that Mr. Purcell said that both he and Governor Rockefeller considered commuter railroad financing to be the port authority's direct responsibility?

Mr. Tobin. That Purcell said that to Commissioner Palmer?

Mr. Maletz. Yes.

Mr. Tobin. That refreshes my recollection of that.

Mr. Maletz. Did Commissioner Palmer tell you, or does this refresh your recollection, that Commissioner Palmer told you that Purcell had advised him that both he, Purcell, and Governor Rockefeller were making excellent headway in formulating a plan for the commuter rapid-transit problem in New York, which would require port authority financing?

Mr. Tobin. Yes.

Mr. Maletz. And does this refresh your recollection that Commissioner Palmer advised you that Mr. Purcell stated that both he and Governor Rockefeller believed they ought to have a bistate statute directing the port authority to handle such financing?

Mr. Tobin. Yes; they both changed their minds, as you know, from the Purcell report.

Mr. Maletz. Well, talking about the situation as of March 5, 1959; that is clear, is it not?

Mr. Tobin. The memorandum is perfectly clear.

I think it an outrageous impropriety to the two Governors for you to have introduced such a memorandum, and

*Excerpt from Exhibit S-40*

I think nothing could more demonstrate the position we are taking here, and will—the State will—take in the case in court.

The Chairman. That may be your opinion. You were not asked a question in that regard, and we suggest that if you want to make a statement, you ask the Chair whether you have the privilege to do so. That is under the rules of the House of Representatives. You cannot make gratuitous remarks of that sort, Mr. Tobin. We think it is a proper question.

Mr. Maletz. Mr. Tobin, is Joseph A. Martino one of the New York commissioners of the Port of New York Authority?

Mr. Tobin. Yes; he is.

Mr. Maletz. And according to your annual report, Commissioner Martino was the president of the National Lead Co. and a director of the Chase Manhattan Bank; is that correct?

Mr. Tobin. That is correct.

Mr. Maletz. And according to your present recollection, was he appointed to the port authority board of commissioners in 1958 by former Governor Harriman, for an interim term, and then reappointed by Governor Rockefeller in January 1959?

Mr. Tobin. He was.

Mr. Maletz. Now, after your telephone conversation with Commissioner Dwight Palmer, did you ask Commissioner Martino to intercede directly with Governor Rockefeller in order to prevent from being adopted the Purcell plan calling for port authority financing of railroad commuter cars?

Mr. Tobin. Commissioner Martino is a commissioner of the port authority. I talked to him about it, and all other commissioners about it. And they did talk to Governor Rockefeller about it.

*Excerpt from Exhibit S-40*

Mr. Maletz. Did Mr. Martino advise you he would take this matter up directly with Governor Rockefeller?

Mr. Tobin. He did, and did take it up directly with him.

Mr. Maletz. Do you recall he was in Palm Beach, Fla., at the time?

Mr. Tobin. Yes; I do.

Mr. Maletz. And do you recall that from Palm Beach Commissioner Martino called Governor Rockefeller, who was then in Albany, called Governor Rockefeller twice, to urge him to disapprove the Purcell plan?

Mr. Tobin. I know that he communicated with Governor Rockefeller. He told me he did.

Mr. Maletz. Do you remember any more specific details, Mr. Tobin? Did you report this matter to the board of commissioners?

Mr. Tobin. What matter?

Mr. Maletz. About Commissioner Martino's telephone discussions with Governor Rockefeller?

Mr. Tobin. Everything we have discussed this morning was reported to the commissioners completely and continuously, and contemporaneously, and including their own actions and activities in the matter.

Mr. Maletz. Did you report to the commissioners specifically that Commissioner Martino, who was then in Palm Beach, called Governor Rockefeller twice about this matter?

Mr. Tobin. I do not remember.

Mr. Maletz. I show you for identification—

Mr. Tobin. I assume I did.

Mr. Maletz. A letter dated March 6, 1959.

Mr. Tobin. This is a letter to all of the commissioners of the port authority, including Commissioner Martino.

Mr. Maletz. I asked Mr. Tobin, if you would just identify the letter.

*Excerpt from Exhibit S-40*

Mr. Tobin. May I read it? Mr. Maletz, what bothers me about this is that—

Mr. Maletz. Did you write the letter, Mr. Tobin?

Mr. Tobin. Oh, yes. Is that this appears to be—

The Chairman. Let us have the letter back, please.

Mr. Tobin. At a date when the plan had been worked out and agreed upon.

The Chairman. Wait until a question is asked, Mr. Tobin. You will get an opportunity to respond in your own way.

Mr. Maletz. Do you recall having written this letter, Mr. Tobin?

Mr. Tobin. Yes, I did.

Mr. Maletz. That is your signature?

Mr. Tobin. Yes.

Mr. Maletz. Mr. Chairman, I would read the letter at this point. This is a letter dated March 6, 1959, to the various commissioners by Mr. Tobin:

MY DEAR COMMISSIONER: Commissioner Martino has had two telephone conversations with Governor Rockefeller about the proposals of Mr. Robert W. Purcell (who is acting as the Governor's transportation consultant), that the port authority should attempt to finance commuter railroad rolling stock and the rehabilitation of other commuter railroad equipment through some arrangement in the nature of what Mr. Purcell refers to as equipment trust financing. These telephone conversations took place on Wednesday evening, March 4, and Thursday morning, March 5, between Commissioner Martino's winter home in Palm Beach and the Governor's office in Albany.

Toward the conclusion of Thursday morning's discussion Commissioner Martino suggested the Governor might like to meet with the commissioners.

At yesterday's meetings of the finance, port planning and operations committees, at which the chairman, the honorary chairman, and Commissioners Colt, Hamilton, Kellogg,

*Excerpt from Exhibit S-40*

and Clancy were present, it was tentatively decided, subject to the convenience of the rest of the board, that the most convenient day and time for this preliminary meeting would be on the same day (Sunday, March 15) at 10 a.m. at one of the hotels in central Manhattan near the Governor's apartment.

This coming Thursday, March 12, is the date for the March meeting of the board. However, four of the New York commissioners will be out of town on Thursday so that we would not have a quorum and therefore cannot hold a board meeting. I suggest, therefore, that we hold the regular Thursday meeting of the board simultaneously with the 10 a.m. Sunday morning meeting to be held in connection with our preparation for the Governor's luncheon.

We will prepare a summary of Mr. Purcell's equipment-trust proposal and an agenda of such other port authority items as may come up for discussion during the course of the meeting with the Governor.

We have reserved suite 2111 for this purpose at the Hotel Savoy-Hilton (formerly the Savoy-Plaza) which is located on Fifth Avenue at the corner of 59th Street.

Arrangements for your convenient transportation to and from these Sunday meetings will be made through your office.

Sincerely,

Austin J. Tobin,  
*Executive Director.*

Was that an accurate report to the commissioners?

\* \* \*

Mr. Tobin. My letter to the commissioners?

Mr. Maletz. The letter I just read.

Mr. Tobin. I do not understand what you mean.

Mr. Maletz. Was this letter an accurate report to the commissioners?

Mr. Tobin. That letter simply calls—it sets dates for meetings?

*Excerpt from Exhibit S-40*

Mr. Maletz. Yes. Was the meeting held between Governor Rockefeller and the port authority commissioners at the Savoy-Hilton?

Mr. Tobin. No, it was not. That was a meeting before the meeting with the Governor. Then there was a meeting after that at the Governor's apartment.

The Chairman. Mr. Tobin, will you not—please answer questions, and then you can amplify them.

Mr. Tobin. I am answering them. I am answering them directly, sir.

The Chairman. Was such a meeting held?

Mr. Maletz. At the Savoy-Hilton on Sunday.

Mr. Tobin. Mr. Maletz asked me, was a meeting held with Governor Rockefeller at the Savoy-Hilton, and it was not.

The Chairman. Was there any meeting held at the Savoy-Hilton?

Mr. Tobin. Yes, with the commissioners of the port authority as called in that letter.

The Chairman. Who was present?

Mr. Tobin. I do not remember. But the most I would say, Mr. Chairman, my recollection is that practically all the commissioners of the port authority were there. We have minutes of those meetings, and you have the minutes of those meetings, so you know who was there.

The Chairman. Was anybody representing the Governor present?

Mr. Tobin. Not at that meeting. We went from there across to the Governor's apartment.

The Chairman. And you met with the Governor at the Governor's apartment?

Mr. Tobin. We had lunch with the Governor at the Governor's apartment.

Mr. Maletz. That was Sunday, March 15?

*Excerpt from Exhibit S-40*

Mr. Tobin. If that is what the letter says, yes, that is when it was.

Mr. Maletz. Now, at that particular meeting at the Governor's apartment, was Mr. Purcell's proposal for port authority financing of a rail commuter program, was that proposal dropped?

Mr. Tobin. I may say that I think it is very improper of you to inquire what went on in the meeting with Governor Rockefeller and the commissioners of the port authority.

Mr. Maletz. Was the proposal dropped?

Mr. Holtzman. This is the meeting at the hotel.

Mr. Tobin. The Governor was not there, sir.

The Chairman. At the meeting at the Governor's luncheon, was the final conclusion to the effect that the Purcell plan be dropped and discarded? You can answer, and I will ask the question, if you wish to reply, what prompted that conclusion. Now, is your answer "Yes" or "No"?

Mr. Tobin. At that time the proposals that we were talking about before, that had been discussed with the investment bond dealers, had been dropped. It had been dropped for quite some time. The discussions that we had at that meeting were discussions about the proposal as it stood then, which was the proposal that is enacted into law, and is the law of the State now.

Mr. Maletz. When were suggestions made by Mr. Purcell for financial assistance by the port authority in the field of commuter rapid transit dropped?

Mr. Tobin. Somewhere in between the events that you were talking about an hour ago, and somewhere—and this period of this letter, because at the period of this letter, they didn't exist any more, and at the period of this letter, as I recall it, Mr. Purcell had submitted his report, and his report contained the recommendation, which was sub-



*Excerpt from Exhibit S-40*

sequently enacted into law by the States of New York and New Jersey.

Mr. Maletz. Instead of the Purcell plan, is it not correct, the State of New York, under bistate legislative authorization, sponsored by the port authority—

The Chairman. Fix the dates.

Mr. Maletz. Let me ask you this question, Mr. Tobin.

According to your letter of March 6, Mr. Tobin, to the commissioners, Mr. Martino had two conversations with Governor Rockefeller, one on March 4 and one on March 5.

Was the Purcell proposal for port authority financing of railroad commuter cars dropped after those conversations?

Mr. Tobin. No. That proposal—my recollection is that that proposal was dropped considerably before that time.

Mr. Maletz. Well, let us see your letter again. Your letter says that—

Commissioner Martino has had two telephone conversations with Governor Rockefeller about the proposals of Mr. Robert W. Purcell \* \* \* that the port authority should attempt to finance commuter railroad rolling stock and the rehabilitation of other commuter railroad equipment through some arrangement in the nature of what Mr. Purcell refers to as "equipment trust financing."

Mr. Holtzman. May we have the date of that letter.

Mr. Maletz. Wednesday evening, March 4, and Thursday, March 5, were the dates of the phone calls.

My question is this: When, if you know, was Mr. Purcell's proposal for port authority financing dropped?

Mr. Tobin. I do not know when Mr. Purcell changed his mind on it.

Mr. Maletz. It was dropped, was it not, after Mr. Martino's telephone conversations?

*Excerpt from Exhibit S-40*

Mr. Tobin. I do not remember just what time it was.

I do know at the occasion of the port authority meeting that you referred to, the discussion was entirely about the proposal that was enacted into law.

Mr. Maletz. I am going to ask you about that now, if I may.

Mr. Holtzman. Just one question there. If that is so, Mr. Tobin, what was your intention in referring to these two conversations, if in fact the plan had already been abandoned?

Mr. Tobin. My recollection—and I want to say to you, Congressman, that it is a bit narrative—that the arrangement, and I think that becomes clear from the letter, too, for the meeting with the Governor, and the luncheon with the Governor, and whether he would be in New York over the weekend, that those were made by Commissioner Martino. Those arrangements were made. In other words, I did not say in that letter I have a call from Bob Purcell, or I have had a call from Governor Rockefeller, and the Governor wants to have lunch with us on Sunday, and therefore I suggest we have a meeting ahead of that time.

I say that Commissioner Martino had been in touch with him, and as a result of that, we are going to meet.

Mr. Maltez. Mr. Tobin, may I direct your attention again to a letter which you wrote to Mr. Ripley, dated March 17, 1959. This is a letter to Mr. Ripley:

In the light of our discussion in your office on March 5 about commuter rapid transit and the port authority, I thought you would like to have the full transcript of our newspaper release.

In the course of my discussions with Governor Rockefeller and Mr. Purcell subsequent to March 5 the proposal for port authority participation on the basis of what

*Excerpt from Exhibit S-40*

was called "equipment trust financing" or, for that matter, suggestions for any financial assistance by the port authority in the field of commuter rapid transit were dropped. We were then able to come to this combination of State advances and bonds guaranteed by the State, with the port authority simply carrying out the administrative and managerial work of the State's participation.

Thank you very much again for your letter of March 5. We were, as you know, shocked by Blyth & Co.'s refusal in this crisis to stand by the customers to whom they had sold port authority securities through the years. On the other hand, the Commissioners were absolutely certain that such an attitude would be at the ends of the earth from your sense of investment responsibility. And this prompted our immediate and direct appeal for your help—which, as on so many other occasions throughout the creation and development of the authority, was immediately forthcoming.

\* \* \*

Mr. Tobin. What is the date of that again, Mr. Maletz?

Mr. Maletz. March 17. So on the basis of your letter of March 17, Mr. Purcell's plan was dropped after March 5; is that not correct?

Mr. Tobin. I do not remember what dates it was dropped.

Mr. Maletz. Is that not what your letter says?

Mr. Tobin. It was dropped sometime before March 17.

Mr. Meader. Mr. Chairman.

Mr. Tobin, I have your letter of March 6, which has been read, and the impression I get from that letter is that the purpose of this meeting on Sunday morning, before the Governor's luncheon, and the purpose of the meeting at the Governor's luncheon, was to discuss the Purcell equipment trust proposal, because your letter, the third paragraph from the end, says this:

We will prepare a summary of Mr. Purcell's equipment-trust proposal and an agenda of such other port authority items as may come up for discussion during the course of the meeting with the Governor.

*Excerpt from Exhibit S-40*

Would it not be a fair inference that Mr. Purcell's plan was dropped on the 15th at the luncheon you had with Governor Rockefeller?

Mr. Tobin. It would, Mr. Meader, but I do not remember it that way. That is my point. If you told me you wanted to go into this, I would have refreshed my recollection on it. But I do not remember it that way. My recollection is of a luncheon conference with Governor Rockefeller, Mr. Purcell, myself, Mr. Goldstein, at which we discussed only the plan which was encompassed in the Purcell report, and was enacted into law.

Now, that is the best of my recollection at this time.

Mr. Meader. And that the equipment trust idea had been dropped before you ever had the meeting?

Mr. Tobin. Had been dropped. But these things were happening within days and in shifts. And as you call me in here to be suddenly confronted by this, it is almost as if Mr. Maletz was concerned that I might remember some of these things. They happened fast.

Mr. Meader. Now, just a minute. Mr. Chairman, I think it comes with poor grace for Mr. Tobin to complain about surprise when he has refused access to the records of the port authority itself in which case he would have had full and complete information on everything which the committee had. But because of the obstruction, the committee has had to go to other sources and obtain these documents from the files of people that did business with the port authority. And it seems to me it comes with very poor grace to complain of surprise when it would have been very easy and simple to cooperate with the committee and let them have access to the files, in which case they would have been completely apprised of what the committee had in its possession.

*Excerpt from Exhibit S-40*

The Chairman. I want to supplement what you say. The recalcitrance of the port authority officials, particularly in refusing to let us see their records, forced us to go to extremes involving considerable expense, involving infinite patience, involving the employment of governmental agencies, including the General Accounting Office, to aid our staff and counsel in endeavoring to ferret out matters which could very easily have been obtained if we had these records that we asked the port authority to submit.

I agree with you, it comes with ill grace for Mr. Tobin to take this kind of stand.

Mr. Maletz. Mr. Tobin, instead of the Purcell plan, is it not correct that the State of New York, under bistate legislative authorization, sponsored by the port authority, appropriated \$20 million to the port authority to be used in purchasing commuter railroad cars for the purposes of renting them to commuter railroads operating them in municipalities in the State of New York?

Mr. Tobin. That is correct.

Mr. Maletz. And is it not correct that under this program—

Mr. Tobin. That was the Purcell plan.

Mr. Maletz. The Purcell plan called for port authority financing, did it not?

Mr. Tobin. No. The Purcell plan is in his printed report, and is a State document of the States of New York and New Jersey.

Mr. Maletz. I am talking about Mr. Purcell's original proposal.

Mr. Tobin. Those were his original discussions and proposals. That is not where he came out.

Mr. Goldstein. Mr. Maletz, what Mr. Tobin means is that the official Purcell plan on file with the Legislatures

*Excerpt from Exhibit S-40*

of the State of New York and New Jersey called for the legislation.

Mr. Maletz. I am talking about the original proposal which your letter indicates was dropped subsequent to March 5—his original proposal called for port authority financing, did it not?

Mr. Tobin. Yes, sir. That was dropped. By Mr. Purcell.

Mr. Maletz. Subsequent to—

Mr. Tobin. By Governor Rockefeller.

Mr. Maletz. Subsequent to Mr. Martino's discussions, is that not right?

Mr. Tobin. I am not sure whether it was subsequent to that or not.

Mr. Maletz. Is that not what your letter says?

Mr. Tobin. No, it does not say that. It says that on those dates Commissioner Martino discussed that issue with Governor Rockefeller.

The Chairman. The letters speak for themselves, and the members of the committee will evaluate those letters in their own way.

Mr. Maletz. In order to get this in context, Mr. Chairman, may I repeat the last question to Mr. Tobin.

Instead of the original Purcell proposal, is it not correct that the State of New York under the bistate legislative authorization sponsored by the port authority appropriated \$20 million to the port authority to be used in purchasing commuter railroad cars for the purpose of renting them to commuter railroads operating in municipalities in the State of New York?

Mr. Tobin. Under the official Purcell plan, that is what was done.

*Excerpt from Exhibit S-40*

Mr. Maletz. And is it not correct that under this program, the port authority is simply carrying out the administrative and managerial work of the State's participation?

Mr. Tobin. That is quite correct.

Mr. Maletz. Is it not correct that this bistate legislation prohibits the port authority from borrowing any money for the purchase of such cars unless and until New York State shall have guaranteed the payment of principal and interest thereon?

Mr. Tobin. That is correct.

Mr. Maletz. Does this legislation prohibit the port authority from pledging its full faith and credit or from pledging or using for this railroad car program any of its revenues and reserves pledged in support of consolidated bonds including the revenues of any of its existing facilities or any of its existing reserves?

Mr. Tobin. Yes; that is right.

Mr. Maletz. Is it correct that the port authority, even after it is authorized to issue bonds guaranteed by New York State, is authorized to pledge only the railroad cars purchased, the rentals therefrom, and the State's liabilities and its guarantees?

Mr. Goldstein. That is part of the statute, Mr. Maletz. If we are to accept——

Mr. Maletz. I am quoting directly from the bond indenture.

Mr. Goldstein. If it is a direct quote from the bond indenture, then the answer is yes.

Mr. Maletz. Is the answer to the question "Yes"?

Mr. Goldstein. If it is a direct quote.

The Chairman. Yes; it is.

Mr. Maletz. Is an amendment to the New York State constitution necessary to have a guarantee by the State of New York?

*Excerpt from Exhibit S-40*

Mr. Tobin. That is my understanding; Mr. Goldstein so advises me.

Mr. Maletz. Must such constitutional amendment be adopted by two successive legislatures and thereafter approved by a majority of the people in a popular referendum?

Mr. Tobin. Yes.

Mr. Maletz. The legislation by which the State of New York adopted the \$20 million rail commuter car proposal has been effective since September 1959. How many new railroad commuter cars have been provided by the Port Authority up to this point under this legislation?

Mr. Tobin. None.

Mr. Maletz. Mr. Chairman, at this point I would offer the documents referred to dealing with the railroad commuter car problem for the record.

\* \* \*

Mr. Tobin. I may say those negotiations on those are in very, very active daily progress, and there are certain reports as to that progress in the hands of the Governor, and the Governor will choose when, I assume, he wishes to make an announcement of what has been accomplished to date under this program. But he has not made that announcement as yet.

Mr. Holtzman. Has the port authority completed its own efforts in connection with this Purcell law?

Mr. Tobin. Mr. Holtzman, I could not say we have completed, because we are working on it every day, and certain phases have been completed, and certain others have not been completed. The New Haven Railroad is very close to bankruptcy.

Mr. Holtzman. I am trying to understand whether there is anything left for you to do, or whether it is all in the hands of the Governor.



*Excerpt from Exhibit S-40*

Mr. Tobin. No. There is lots for us to do. I meant there are certain reports on progress and status that were in the hands of the Governor, and that the Governor has the proper right to decide what he will do about them.

Mr. Maletz. Now, Mr. Tobin, I believe you previously testified that in March 1959 you appealed for the help of various investment bankers who underwrite port authority bond issues in connection with Mr. Purcell's plan for the railroad commuter program.

In July of 1960, did you again appeal to these investment bankers for help in connection with this committee's investigation into the activities and operations of the port authority?

Mr. Tobin. At some stage I certainly did.

Mr. Maletz. Did you in or about July 1960 meet with officials of a number of these investment bankers?

Mr. Tobin. I believe so; yes.

Mr. Maletz. Do you recall that meeting?

Mr. Tobin. I recall such a meeting; yes.

Mr. Maletz. Where was that meeting held?

Mr. Tobin. National City Bank.

Mr. Maletz. Was it held on July 14, 1960?

Mr. Tobin. I don't know.

Mr. Maletz. Do you recall who was present?

Mr. Tobin. Generally and vaguely. The representatives of the various investment houses on the street.

Mr. Maletz. Was Harriman, Ripley; Drexel—

Mr. Tobin. Whatever the meeting was. There were 30 people there.

Mr. Maletz. I see. And you called this meeting to appeal to the investment bankers for help in connection with this committee's investigation?

Mr. Tobin. Yes; I called it to call to their attention the fact that that the assertions of power of this committee

*Excerpt from Exhibit S-40*

posed the gravest worry and concern to the whole tax-exempt municipal market, because if the assertions of power of this committee were correct, then one of the firm bases of the immunity of exemption of State and municipal bonds had been undermined, and I called their attention to the fact that in the *Shamberg* case, the whole argument of Government's counsel had been exactly the same argument that is offered here—that is, that the port authority is a Federal agency, and that the Government argued in the *Shamberg* case that being a Federal agency, it was not within the protection of the tax-exempt statute on municipal bonds which says municipal bonds, which says a State or municipal agency, State agency, or political subdivision.

And I told them that I thought very much the same questions were involved in your assertion that the port authority is a Federal agency subject to Federal control, Federal sovereignty, review, and consent to all its actions.

Mr. Maletz. Did you appeal to the investment bankers for help in stopping this committee's investigation into the activities and operations of the port authority?

Mr. Tobin. I appealed to them in calling this to the attention of State and municipal agencies throughout the country, and the people for whom they sell the bonds. Because I felt and still feel it was a matter of the most grievous concern to them.

Mr. Maletz. Did you appeal for their help in stopping this investigation?

Mr. Tobin. I said to them that this investigation, in my opinion, constituted a great threat to State and municipal financing. And this is your conclusion. You may take whichever conclusion you wish.

The Chairman. Wait a minute. Just answer yes or no. Did you appeal to these investment bankers or ask them to stop the activities of this committee?

*Excerpt from Exhibit S-40*

Mr. Tobin. I appealed to them that your activities were a grievous threat to State and municipal financing.

The Chairman. Did you ask them to, in turn, endeavor to stop the activities of this committee? You can answer yes or no.

Mr. Tobin. No; not in those words, no.

Mr. Holtzman. In any words.

The Chairman. What words did you use?

Mr. Tobin. The words that I am using now; that the activities, that your activities were a grievous threat to the future of State and municipal financing and its tax-exempt status.

Mr. Maletz. Mr. Tobin, at that meeting did you tell those present to get busy and have Congress stop this committee from putting the heat on the port authority?

Mr. Tobin. I made a long talk to that committee.

Mr. Maletz. Did you make some remarks similar to that?

Mr. Tobin. I do not recall remarks similar to that.

The Chairman. Mr. Tobin, we have a memorandum here.

Mr. Maletz. Did you tell those present—

Mr. Tobin. The expression, "put the heat on," is not one of my expressions.

Mr. Maletz. Did you tell those present that unless this committee was stopped, the port authority would be in an intolerable position?

Mr. Tobin. I think we are in an intolerable position right now. I would use the word "intolerable"; yes. I think this is all intolerable.

Mr. Maletz. Did you tell the investment bankers that unless this committee was stopped, the port authority would be in an intolerable position?

Mr. Tobin. I do not remember whether I did or not, but I certainly think the port authority is being subjected to an intolerable position.

*Excerpt from Exhibit S-40*

Mr. Maletz. Did you convey that thought?

Mr. Tobin. I would have tried to, I assume. I do not remember whether I did or not.

Mr. Maletz. Did you tell those present at this meeting if this committee were allowed to break loose the port authority, it might mean the end of the present Federal tax exemption for the securities of all port authorities in the United States?

Mr. Tobin. Oh, yes.

Mr. Maletz. In other words, Mr. Tobin, this was another instance, was it not, where you appealed to the investment bankers for help.

Mr. Tobin. Yes; it was.

Mr. Maletz. Did the investment bankers respond to your appeal?

Mr. Tobin. I am acquainted with various things——

Mr. Maletz. What did they do?

Mr. Tobin. They communicated with various State and municipal agencies through the country.

Mr. Maletz. Would you like to have the question reread?

Mr. Tobin. Yes.

(The last question was read.)

Mr. Tobin. I am aware of the fact, from reports I had from many of them, that they communicated with State officers and municipal officers, and, as you know very well, many of those Governors, attorneys general, State legislatures, State agencies, did take very proper action, and adopted many resolutions and carried on quite considerable activity of their concern, and are still doing so, and are still concerned about it.

Mr. Maletz. And I take it this was in part due to the response by the investment bankers to your appeal for help?

*Excerpt from Exhibit S-40*

Mr. Tobin. I hope so. I tried hard enough.

The Chairman. Despite that appeal on your part for help to the investment bankers, and despite whatever the investment bankers may have done, Congress, nonetheless, passed three separate citations for contempt against you and two of your associates by overwhelming majority.

Mr. Tobin. I would rather look at the brighter side—that 124 Members of Congress stood up for what I think was the impropriety of that action.

The Chairman. Well, we are in a democratic process here, and the majority rules. The overwhelming majority.

Mr. Tobin. You won that vote.

Mr. Maletz. Mr. Mintkeski, do you recall sending packets of information to these investment bankers?

Mr. Mintkeski. Yes; I do.

Mr. Maletz. Do you recall sending your card, with the handwriting notation, “more ammunition”?

Mr. Mintkeski. I may have, sir.

Mr. Maletz. Do you recall that you did?

Mr. Mintkeski. That is hard for me to say. I sent information out.

Mr. Maletz. Did you send an accompanying business card—

Mr. Mintkeski. I may have instructed my secretary to do that.

Mr. Maletz. With your notation, “more ammunition”?

Mr. Mintkeski. I could have, sir.

Mr. Maletz. Did you?

Mr. Mintkeski. I don't know.

Mr. Maletz. Let me show you this document and ask you whether you can identify it.

Mr. Mintkeski. Fine.

Mr. Maletz. Is that your handwriting?

Mr. Mintkeski. No, sir.

*Excerpt from Exhibit S-40*

Mr. Maletz. It is not?  
Mr. Mintkeski. No, sir.  
Mr. Maletz. Do you know whose it is?  
Mr. Mintkeski. I have no idea.  
Mr. Maletz. Is that your business card?  
Mr. Mintkeski. Yes, sir.  
Mr. Maletz. What does it say?  
Mr. Mintkeski. The business card itself—it is printed.  
Mr. Maletz. The handwritten notation.  
Mr. Mintkeski. It looks like more ammunition. I guess that is what it is. More ammunition, sir.  
Mr. Maletz. Did you, on behalf of the port authority, submit packets of information to various investment bankers in connection with this matter?  
Mr. Mintkeski. Yes; I did.  
Mr. Maletz. Were you present at this meeting of the investment bankers?  
Mr. Mintkeski. Yes, sir; I was.  
Mr. Maletz. When was it?  
Mr. Mintkeski. I don't recall the date.  
Mr. Maletz. Was it July 14?  
Mr. Mintkeski. I haven't the slightest idea.  
Mr. Maletz. I show you a letter and ask you if you can identify your handwriting. Is that your handwriting?  
Mr. Mintkeski. Yes, sir; that is my signature.  
Mr. Maletz. And does that letter refresh your recollection as to when this meeting was held?  
Mr. Mintkeski. I forgot to look at the date.  
Mr. Maletz. Take a look at the letter, if you would, sir.  
Mr. Mintkeski. Sorry. That was held on July 14, according to that memorandum.

\* \* \*

Mr. Maletz. Mr. Mintkeski, would you please sit down.  
Mr. Mintkeski. If you wish.

*Excerpt from Exhibit S-40*

Mr. Maletz. I don't mean that in any surly way at all.

Mr. Mintkeski. No; I can talk better standing up. That is the only reason I do it. I can hear you better, you can hear me better.

Mr. Tobin. Mr. Mintkeski has never been called as a witness in any proceeding, and he is upset about it.

The Chairman. Wait a minute, Mr. Tobin, don't make those statements, because they are unfair and impertinent. Mr. Maletz suggested he sit down because he wants to interrogate you and not Mr. Mintkeski. That is all.

Mr. Maletz. Do you recall now that this meeting was held——

The Chairman. I am glad to see you smile, Mr. Tobin. That is the first smile I have seen on your face all morning.

Mr. Tobin. I thought I had been smiling.

The Chairman. It should be that way all the time.

Mr. Tobin. Thank you. Coming from you, sir, I hope you will do your best from here on to make it so.

The Chairman. I will try to make you smile.

Mr. Maletz. Do you recall now that this meeting was held on July 14?

Mr. Goldstein. Well, why don't you let Mr. Tobin see the letter?

Mr. Tobin. I am not quibbling about the date. There was such a meeting.

Mr. Maletz. How long did this meeting last?

Mr. Tobin. My recollection of it is under an hour.

Mr. Maletz. Did you subsequently have further conversations with these investment bankers in connection with their taking action with respect to this committee's investigation?

Mr. Tobin. I am sure I did; yes.

\* \* \*

347a

*Excerpt from Exhibit S-40*

[LETTERHEAD OF]

THE PORT OF NEW YORK AUTHORITY

March 3, 1959

Mr. Joseph Ripley  
Harriman Ripley & Co., Incorporated  
63 Wall Street  
New York 5, New York

Dear Joe:

I am enclosing a copy of the Port Authority's letter to Robert W. Purcell in reply to his suggestion that the Port Authority consider the financing of new rolling stock, principally passenger cars, for the commuter railroads. As we advised you this morning and as you will note from our letter, the Commissioners have advised Mr. Purcell that:

"After study and full consideration, the Board's conclusion is the same with regard to these suggestions of Port Authority participation in financing commuter railroad rolling stock. It remains legally and financially impossible for the Port Authority to provide the equipment under any credit conditions which would be of assistance to the railroads and within their capability."

We have advised Mr. Purcell (page 9) that:

"Our analysis leads the Commissioners of the Port Authority to conclude, therefore, that these equipment proposals, no matter how set up, would materially impair the Port Authority's credit standing and its ability to fulfill its commitments. This makes it impossible for the Port Authority to participate in any such equipment financing."



348a

*Excerpt from Exhibit S-40*

Along the lines of our discussions this morning, and particularly in the light of the reliance that your customers through the years have placed on the Authority's conscientious observance of their pledges and commitments to our bondholders, we would like to have the views of your firm on the effect of our acceptance, or attempted acceptance, of any such proposal on the Port Authority's credit.

For your information I am enclosing a copy of the letter that we received last evening from Halsey, Stuart & Co., Inc. in reply to our similar inquiry to that firm.

Cordially,

HOWARD S. CULLMAN  
Honorary Chairman

Encls.

*Excerpt from Exhibit S-40*

[LETTERHEAD OF]

THE PORT OF NEW YORK AUTHORITY

March 2, 1959

Robert W. Purcell, Esq.  
30 Rockefeller Plaza  
New York, New York

Dear Mr. Purcell:

During the course of our discussion of the commuter railroad problem on February 24th you suggested that the Port Authority consider the financing of new rolling stock, principally passenger cars, with the railroads paying the Port Authority's cost, but without any down payment by the railroads and with payments extended over a period of 25 to 30 years. You asked us to consider some similar advance of funds for capital maintenance, including the rehabilitation of signalling systems.

As you know the Commissioners of the Port Authority had heretofore submitted to the Governors and to the Legislature of New Jersey, their conclusion that it is legally and financially impossible for the Port Authority to assume the railroads' increasingly heavy deficits from all or a part of their commuter operations. During the course of the past week they have reexamined that conclusion, particularly in the light of the type of equipment financing which you suggested on February 24th. After study and full consideration, the Board's conclusion is the same with regard to these suggestions of Port Authority participation in financing commuter railroad rolling stock. It remains legally and financially impossible for the Port Authority to provide the equipment under any credit conditions which would be of assistance to the railroads and within their capability.

*Excerpt from Exhibit S-40*

At the outset, we must repeat that the Port Authority simply has no revenues or reserves derived from its present operations and facilities which are either legally or financially available for the purchase of railroad equipment. All of the Authority's revenues over and above the costs of operation and maintenance are pledged in such a manner that they must find their way into our bond reserves and the reserves themselves cannot be used except to fulfill obligations to our bondholders. This flow of Authority revenues is governed by bond indentures and statutes which are contractual and which may not be impaired. As a consequence, any possibility of the Port Authority providing money to purchase railroad equipment must rest upon the premise that it can sell its obligations in some form to the public to raise the money. We shall now examine the soundness of that premise.

This premise must be appraised in the light of the magnitude of the requirements of the commuter railroads in the New York-New Jersey area. The Port Authority is a bi-state agency. It could not possibly propose to lend its credit to the New York commuter railroads and deny it to the New Jersey railroads. Furthermore, concurrent legislation in both States would be necessary to complete a workable plan and it is unthinkable that the Legislature of either State would permit a solution of the equipment problem of the railroads of the other state alone.

From our own inquiries and from some of the figures you have given us, we have estimated that the cost of replacing commuter passenger coaches now in use, but which have already been in service for 25 years or more would be between \$250,000,000 and \$300,000,000 at current prices. Of the 3,450 suburban passenger coaches which are listed by the commuter railroads in the metropolitan area, about 2,570 have been in service over 25 years including 257

*Excerpt from Exhibit S-40*

owned by the Hudson and Manhattan and 610 owned by the Long Island.

In our discussions you asked us to explore mechanisms by which we might assist in the solution of this phase of that commuter problem. While you stated that you had not yet focused on particular mechanisms, one of the ideas you asked us to explore was that the Port Authority might issue equipment trust certificates.

The true equipment trust certificate as it has been developed under the various plans does not, of course, pledge the trustee's general credit. The trustee is a mere administrative agent for beneficial ownership participations sold to the public, the proceeds of which are used to purchase the equipment which is leased to a railroad or sold on a conditional sale basis.

Quite obviously if the Port Authority were to act as such a mere trustee, it would add nothing to what could be accomplished by any trust company. In fact, since the certificate would not be a Port Authority obligation, the earnings on it would not even qualify for tax exemption under the Internal Revenue Code. Such certificates could be sold if and only if they could also be sold with any other trustee.

We also considered the possibility that the Port Authority might use the proceeds of a Port Authority bond issue, whether of a new or conventional type, to purchase equipment trust certificates which would be serviced by a conventional trustee rather than by the Port Authority itself. We realized, however, that this, too, added nothing to the picture. Since the certificates are evidences of ownership in the rolling stock, under this plan the Port Authority would really be buying the rolling stock. The equipment trust device would add nothing to the possibility of a direct

*Excerpt from Exhibit S-40*

purchase by the Port Authority if that were otherwise feasible.

We concluded, therefore, that the equipment trust device served no useful purpose in the context of our inquiry. What we were left with, therefore, was a blunt recognition of the fact that we had to appraise the legal and financial possibility of selling Port Authority bonds to raise money to purchase railroad commuter equipment, hoping to recover the investment from rental or conditional sales payments which the commuter railroads might be able to afford and as to which they could provide acceptable evidence of their ability to pay.

We first considered the possibility of a Port Authority obligation not secured by the general credit of the Port Authority but secured only by the equipment itself and the prospect of receiving payments from the railroads over the 25 to 30-year term, without a down payment—the terms which you suggested. This possibility broke down at once because the security would be utterly unsaleable. At least it would be no more saleable if issued by the Port Authority than it would be if issued in the form of a conventional trust certificate on the same terms. In fact, your own premise was that a conventional equipment trust certificate without a down payment and with a 25 to 30-year term could not be sold and that that is why the Port Authority might help if it were able to do so. The premise is certainly sound, but it also produces the result that we could not sell such an obligation since it would have no more security than a private equipment trust certificate.

What would be needed to make a saleable Port Authority obligation would be a pledge of the General Reserve Fund. This fund is the Port Authority's medium for pooling its revenues and assuring its bondholders against the possibility of temporary or compassable deficits.

*Excerpt from Exhibit S-40*

On examination this alternative also proves to be both legally and financially impossible. Quite obviously, our bondholders would not have loaned us over \$850,000,000 (excluding refundings) without requiring contractual assurances that the Port Authority would not undertake such deficit financing as would make its reserves illusory, materially impair the Authority's credit and its ability to fulfill commitments to its bondholders.

The fact is that our contract with Consolidated Bondholders is quite specific in the following provisions:

1. Before the Port Authority has the legal power to pledge the General Reserve Fund in financing a new facility such as these railroad cars would be, the Commissioners must first investigate the financial prospects of the new facility and then certify that the financing will not, during a stated period, "materially impair the sound credit standing of the Authority or the investment status of Consolidated Bonds or the ability of the Authority to fulfill its commitments, whether statutory or contractual or reasonably incidental thereto, including its undertakings to the holders of Consolidated Bonds." Without such certification the Port Authority cannot pledge any of its reserves in support of the financing of a new facility or operation.
2. The moment a pledge of the General Reserve Fund is involved the required size of that fund itself increases at once by 10% of the principal amount of the new bonds.
3. Finally, the debt service coverage requirement of the Port Authority in connection with the issuance of new Consolidated Bonds requires the Port Authority to compute maximum prospective debt service on all its

*Excerpt from Exhibit S-40*

bonds including the new bonds and then to be in a position to certify a 1.3 times coverage by net revenues.

The most obvious result of these contractual commitments is that the Port Authority would need a rental or other payment by the railroads equal to 1.3 times the debt service on the \$250,000,000 to \$300,000,000 of Port Authority bonds to be issued, to avoid diluting the Port Authority's borrowing capacity needed to fulfill commitments. This requirement would substantially reduce the possibility that the Port Authority's participation would be of any practical value to the railroads in their present financial condition, even if it were legally and financially possible.

Another obvious result of these contractual prerequisites to Port Authority financing is that the Authority would have to divert \$25,000,000 to \$30,000,000 from other revenue sources in order to keep the General Reserve Fund at the 10% contractual figure since no down payment by the railroads is contemplated.

Moreover, to meet these contractual commitments to bondholders, the Commissioners of the Port Authority would, of course, have to have reasonable and satisfactory assurance that the required rentals could be paid by the commuter railroads. In appraising the possibility of any such assurance, we looked into the history of railroad equipment trust certificates which have been publicly sold. The terms of these instruments represent a fair market gauge of the security behind such an arrangement under which rolling stock is made available to a railroad. We found five essential elements of this type of financing which would appear impossible in the context of the proposal you asked us to consider:

*Excerpt from Exhibit S-40*

1. The railroads make a down payment of as much as 25 percent of the total cost of the rolling stock;
2. The term over which the railroads are required to repay the balance of the owner's cost does not exceed 15 years;
3. The equipment is for the most part freight and not passenger cars;
4. The equipment is non-specialized, highly adaptable and readily saleable; and
5. The prospects of the carrying charges being met during the specified term are excellent.

As you know, the importance of the down payment and relatively short term lies in the fact that it provides a cushion or "equity" against possible default. The rapidity with which undepreciated equity builds up under the one to fifteen year trust with down payments ranging from 10 per cent to 25 per cent is indicated in the following table:

	Percentage of Equity in Cost of Equipment 1-15 Year Trust Original Equity		
	25%	20%	10%
Inception of trust	25.0	20.0	10.0
at end of 1st year	30.0	25.3	16.0
2nd year	35.0	30.6	22.0
3rd year	40.0	36.0	28.0
4th year	45.0	41.3	34.0
5th year	50.0	46.6	40.0
6th year	55.0	52.0	46.0
7th year	60.0	57.3	52.0
8th year	65.0	62.6	58.0
9th year	70.0	68.0	64.0
10th year	75.0	73.3	70.0
11th year	80.0	78.6	76.0
12th year	85.0	84.0	82.0
13th year	90.0	89.3	88.0
14th year	95.0	94.6	94.0



*Excerpt from Exhibit S-40*

On the contrary, the schedule which you suggested for Port Authority financing along these lines—a 25 year payoff with no down payment—would start at zero at the inception of the trust and show the undepreciated equity increasing by only 4 per cent a year. At the end of the fifteenth year, fully 40 per cent of the cost would remain unrecovered under the 25 year program, whereas all of it would have been recovered under the 15 year program.

What is more, the 25 year payoff program so closely corresponds to the annual depreciation that the owner would never have any true equity in the equipment. What the owner would have at any time is aging equipment worth little or nothing more than the amount of unrecovered cost. Even when the Federal Government was setting up a railway aid program in the 1958 National Transportation Act (P.L. 85-625, 85th Cong.) it withheld from the Interstate Commerce Commission power to guarantee any loans for railroad aid if “the terms of such loan permit full repayment more than fifteen years from the date thereof.”

A relatively short repayment term is extremely important because the only real redress which the owner has if the railroad defaults is to threaten to remove the cars and sell or lease them to another railroad. The ability to do this at a price which would recover all of the cost of the cars not already received from the original railroad is extremely doubtful if the trustee or other owner, in order to recover the balance, must receive practically 100 per cent of their depreciated value at that time.

You stated your opinion that there was no real danger that a commuter railroad would default on any obligation to the Port Authority because the railroad would need its rolling stock to operate. You suggested that therefore the bankruptcy court would order the trustee in bankruptcy to pay the rent or other payment in order to keep the railroad

*Excerpt from Exhibit S-40*

operating. Our difficulty in accepting this argument arises from the fact that the terms of payment which you proposed would drastically alter the bargaining positions which usually obtain between a trustee owner under an equipment trust and a trustee in bankruptcy who is under instructions to continue operations. When the court and the trustee in bankruptcy understand that the owner of the cars has no real ability to remove them because there is no better market for them, there is no reason to assume that negotiation would not be undertaken to require the car owner to scale down his claims along with those of all other creditors.

There are two other critical aspects of your suggestions that the Port Authority consider the financing of \$250,000,000 to \$300,000,000 of railroad equipment. First, as we noted above, most existing loans of this kind are to finance freight cars. As of the end of 1958 the distribution of equipment being publicly financed by equipment trust certificates was as follows:

Freight Cars	283,911
Steam Engines	118
Diesel Engines	11,600
Passenger Cars	2,119

Even the relatively few passenger cars are not so specialized as would be most of the new commuter equipment required for the New York and New Jersey railroads. Consider, for example, the equipment needs of the Hudson & Manhattan. The H & M cars are narrower and shorter than most, in order to operate through its present tunnels. We do not know of a single other potential user of such equipment outside of the New York-New Jersey metropolitan area.

*Excerpt from Exhibit S-40*

The case of the other commuter railroads, while not so extreme, nevertheless involves specialized equipment. These cars would not be saleable for long haul passenger transportation. They could be used only by other railroads engaged in commuter passenger transportation, having re-sale value only in the metropolitan centers of Boston, New York, Philadelphia, Chicago and San Francisco. Yet in each of these centers the commuter railroads are having the same financial difficulties as the New York and New Jersey railroads. They are therefore not potential purchasers in a position to pay a fair purchase price for the cars if a New York or New Jersey railroad defaults.

The second additional and critical aspect of the Port Authority's position as the owner of commuter rolling stock involves the fact that it is a public agency of the two States. Prospective bondholders would have very serious doubts as to the Port Authority's ability to remove cars from a defaulting New York or New Jersey railroad. They would reason that the Port Authority would be subjected to tremendous political and public pressures to permit the continued use of the cars, even though the rental or other payments due to bondholders were in default.

All of these considerations of the difficulty or impossibility of recovering the cost of the railroad cars in the event of default might be irrelevant if we were dealing with first class railroad credits. However, the payments will be due from railroads almost all of which admit that they are either in bankruptcy, or just emerging from bankruptcy, or are on the brink of bankruptcy, or at best in tenuous financial condition.

The H & M is in bankruptcy. The Long Island has emerged from bankruptcy only after many concessions on the part of the State, the municipalities and their mortgage bondholder (the Pennsylvania Railroad)—many of which

*Excerpt from Exhibit S-40*

concessions are only temporary. Aside from the New York Central and the Pennsylvania, all of the other railroads in the area are so shaky financially that their general credit bonds are rated as "Caa" (Erie and Lackawanna) or "Ca" (New Haven)—by Moody's Investors Service. According to Moody's, the "Caa" rating is for bonds which "are of poor standing. Such issues may be in default or there may be present elements of danger with respect to principal or interest." The "Ca" rating which Moody's has given the New Haven bonds labels them as "speculative in high degree. Such issues are often in default or have other market shortcomings." The New York Central, which has achieved a "B" rating thereby falls in the category where its general credit bonds "generally lack characteristics of a desirable investment. Assurance of interest and principal payments or of maintenance of other terms of the contract over any long period of time may be small." Even the Pennsylvania achieves no more than a "Ba" rating for its general credit bonds so that they "are judged to have speculative elements; their future cannot be considered as well assured. Often the protection of principal and interest payments may be very moderate and thereby not well safeguarded during both good and bad times over the future. Uncertainty of position characterizes bonds of this class."

In addition to all of these circumstances, our Commissioners would also be confronted with the serious effect of such a project on the Authority's credit, in arousing in investors the fear that: (1) the Port Authority was so deeply involved in the railroad commuter deficit problem that it would be unable to extricate itself from responsibility also for tens of millions of dollars of annual *operating* deficits which the commuter railroads state that they are suffering in the New York-New Jersey area now, without

*Excerpt from Exhibit S-40*

considering any debt service on a rehabilitation and improvement program; and (2) that the Port Authority would have been ear-marked by the two States as the dumping ground for deficit operations of all kinds.

We developed these dangers in our earlier communications to the Governor and to the New Jersey Legislature. They are inseparable from the equipment proposals which you have asked us to review.

We reviewed our conclusions on Port Authority financing of transit systems with Halsey, Stuart & Co., Inc., Drexel & Co., Glore, Forgan & Co. and Ladenburg, Thalmann & Co., syndicate co-managers which traditionally bid on Port Authority bonds. They replied as follows:

“In our opinion, any involvement, such as the financing of commuter passenger cars for the railroads in the New Jersey-New York metropolitan area, would have a most serious and adverse effect on the credit of the Port Authority. I know the Commissioners of the Port Authority appreciate the fact that even if the Port Authority could legally finance the purchase of such equipment for the local commuter lines, investors are well aware of the financial problems of the commuter railroads and any such action on your part would have an adverse effect on your credit.”

When the question of pledging the Authority's General Reserve Fund to finance commuter railroad systems, was before the Committees of the New Jersey Legislature last November, Mr. Reginald M. Schmidt of Blyth and Company (co-managers of another syndicate which consistently bids on Port Authority bonds) wrote:

*Excerpt from Exhibit S-40*

“If the Port of New York Authority is to continue expanding its present facilities and other facilities that lend themselves economically to sound revenue bond financing, it would be fatal to the Port’s credit if they undertook to finance transit systems by pledging its surplus revenues and general reserve fund.

“For many years this firm has taken leadership in building up the credit and broadening the market of the Port of New York Authority bonds. I am sure many investors including those whom we have interested would become alarmed if there were any serious consideration by the Commissioners of their entering this field.”

And the “Daily Bond Buyer”, the trade paper for municipal bond dealers all over the country, said:

“\* \* \* The Port Authority has excellent reasons and spelled them out plainly early this month in a series of analyses of commuter railroad deficits, the experience of transit systems in other Metropolitan Areas, and *the effect on its own credit and activities of any attempt to participate*. As to the latter, there are impassable legal obstacles and the financial results would be ruinous.”

Finally, we should point out that the basic obstacles to a pledge of the Port Authority’s Reserves, which I have reviewed, could not be solved even by legislative action in both States. On the other hand, the 1958 National Transportation Act of the Federal Government is available and was designed (as the Port Authority was not) to facilitate a loan of public credit in support of railroads which are in

*Excerpt from Exhibit S-40*

financial distress. If this Act in its present form imposes standards for railway aid financing which are too rigid to meet the requirements you have outlined, it would seem that they could be amended by Congress.

Our analysis leads the Commissioners of the Port Authority to conclude, therefore, that these equipment proposals, no matter how set up, would materially impair the Port Authority's credit standing and its ability to fulfill its commitments. This makes it impossible for the Port Authority to participate in any such equipment financing.

In this letter we have not reviewed the effect of such a venture on the Port Authority's responsibility, under the Port Compact of 1921, to carry forward a self-supporting program of port development. Nor have we reviewed its effect on our outstanding commitments within the scope of that program. Both of these consequences are covered in the Commissioners' statement to the New Jersey Legislature, which concluded that:

“At the present time, as is well-known to the Committees, the Port and its activities provide economic support for one out of every four of the 13 million people in the Port District. The responsibility for assuring the continued economic pre-eminence of the Port District, both through providing modern port facilities and promoting the port's commerce, is a responsibility of the very first importance to the people of New Jersey and New York. It would be a great public disservice to the people of New Jersey, and even to the New Jersey rail commuters themselves, if the credit of the Port Authority—which constitutes its whole ability to go forward with its work of port development—were destroyed, as it

363a

*Excerpt from Exhibit S-40*

would most certainly be by any attempt to (direct the Port Authority to finance, improve and operate commuter railroad service).”

In view of the effect of this proposal on the Port Authority financing and program, we deem it imperative that the Chairman of our Finance Committee, Commissioner S. Sloan Colt, and I meet with you immediately.

Sincerely,

AUSTIN J. TOBIN  
Executive Director



364a

*Excerpt from Exhibit S-40*

30 ROCKEFELLER PLAZA  
New York 20, N. Y.

Room 5600

March 4, 1959

Mr. Austin J. Tobin  
Executive Director  
The Port of New York Authority  
111 Eighth Avenue  
New York 11, New York

Dear Mr. Tobin:

I acknowledge receipt of your letter of March 2nd and I have noted its contents. I am taking the liberty of addressing this letter to you so that I may be certain that I understand completely your position. My uncertainty is due to the emphasis you place upon such factors as the position of the Hudson & Manhattan (which I never visualized as part of the program) a \$250,000,000 cost (which I consider to be greatly in excess of the needs) and certain specific lease terms (which I expressed as my ideas, but certainly not as inflexible requirements).

I think I am correct in interpreting your letter as expressing the position of the Port of New York Authority that, under no circumstances, regardless of the amount of money involved, the credit standing of the particular railroads willing to enter such a program, or the terms and conditions of the lease obligations which might be negotiated, would the Authority be prepared to participate in this kind of a program. I would appreciate it if you would confirm the correctness of this interpretation or make such other observations as you might think appropriate because

365a

*Excerpt from Exhibit S-40*

I wanted to be sure that you have not predicated your views solely on the specific situation as outlined in your letter, whereas, under other or different circumstances, you might be prepared to consider favorably a participation in this kind of a solution of this public problem.

Inasmuch as I am presently preparing a report to the Governor regarding many phases of the transportation crisis and am working against a deadline, I am having this letter delivered by hand with the hope that you may be able to give it very prompt attention.

As stated to you over the telephone yesterday, I shall be happy to meet with you and Mr. Colt whenever you wish.

Sincerely yours,

R. W. PURCELL

RWP/s

366a

*Excerpt from Exhibit S-40*

LETTERHEAD OF

THE PORT OF NEW YORK AUTHORITY

March 5, 1959

Mr. Robert W. Purcell  
30 Rockefeller Plaza  
New York 20, New York

Dear Mr. Purcell:

Thank you for your further inquiry of March 4th. In reply, please be advised that in reviewing the Port Authority's legal and financial inability to pledge reserves already committed to its bondholders, for the purchase of equipment for the use of commuter railroads, we made the assumptions set forth in my letter of March 2nd.

They were based almost entirely on your outline to me of your objectives, and in fact they constitute the only realistic assumptions we could make.

We assumed that a bi-state agency such as the Port Authority could not attempt to finance only the railroads terminating in one of the two states and refuse to finance those terminating in the other state, when all have a common financial problem. You immediately agreed with this assumption when I suggested it. Certainly the Hudson and Manhattan, whose counsel has just been added to your staff, could not be omitted from a bi-state agency's program of commuter railroad financing. In fact, you yourself included the Hudson & Manhattan's capital requirements in our discussion during the course of our first meeting and asked me to submit a memorandum on its financial requirements as we saw them, which I did on February 23rd.

*Excerpt from Exhibit S-40*

In our letter of March 2nd we assumed a \$250,000,000 to \$300,000,000 cost based again on the only realistic assumption we can make and based on the actual number of over-age commuter cars in use in the area and the present cost of replacement. We did not include the necessity of rehabilitating signalling equipment, and other essential capital maintenance which, in the cases of the Long Island and Hudson and Manhattan alone are estimated by Mr. Goodfellow and Mr. Stichman at \$40,000,000. I am surprised that you now take the view that is greatly in excess of the needs of the New York and New Jersey commuter railroads, when both you and Mr. Goodfellow, whom you sent to see me, estimated the Long Island's requirements alone at \$70,000,000 and Mr. Stichman places the Hudson & Manhattan's needs at \$50,000,000. The remainder is taken up by the needs of the New Haven, Erie, Lackawanna, Jersey Central, New York Central and Pennsylvania. At our meeting in my office on February 25th, Mr. Genet put these requirements of the Long Island, and the commuter services of the New Haven and New York Central at \$200,000,000.

Certainly the people who buy the Port Authority's bonds—insurance companies, banks and private individuals—when they came to appraise our credit, would have to assume that this bi-state agency would be committed to the entire \$250,000,000 to \$300,000,000, with the possibility of being called upon to finance additional commuter operating deficits later on. We know of no way, short of a constitutional restriction, which would freeze the Port Authority's participation in railroad aid financing to the needs of anything less than all the commuter railroads in the area, to only their equipment needs or to their needs only at this time.

*Excerpt from Exhibit S-40*

On the same basis, there is no question of appraising "the credit standing of the particular railroads willing to enter such a program." All of the commuter railroads are involved from the point of view of appraising a disastrous impairment of Port Authority credit, no matter how you might attempt to limit any initial plan. In this connection we did not make any assumptions of our own as to the credit standing of the commuter railroads. Instead, we used the Moody's Investors' Service ratings of their general credit obligations.

As we pointed out, with the type of specialized and un-saleable commuter equipment which the railroads need we would have little more than their general credit behind their promise to pay, whereas in any feasible plan the Port Authority's obligation to pay principal and interest on our railroad aid bonds would be absolute.

When we came to assume "the terms and conditions of the lease obligation which might be negotiated," we accepted your completely reasonable assumption that the commuter railroads were not in a position to make any normal down payment or to pay off these new obligations within the normal term used by equipment trust financing. Any requirements which a Port Authority lease might impose which approached this normal down payment and term would defeat your entire purpose of helping the railroads out of financial distress and at the same time make the Port Authority's participation unnecessary, since private financing should then be available.

In fact, Mr. Goodfellow, whom we met at your suggestion, and Mr. Genet of your staff expressed the view that the Long Island, to accomplish its objectives, would need a 30-year pay off payment period, could make no down payment, could procure no guarantee from its owner, the

*Excerpt from Exhibit S-40*

Pennsylvania Railroad, and could not even procure a subordination of the Pennsylvania Railroad's deferred claim for interest on the Long Island's mortgage bonds to the proposed new Port Authority obligation.

Mr. Goodfellow also made it clear that the Long Island, even with these extreme departures from normal equipment financing, could not undertake to pay more than the actual debt service we might incur on our obligations issued to finance the Long Island's requirements. In our prior letter we pointed out that under the contractual provisions of our Consolidated Bond Resolution our revenues must equal at least 1.3 times the maximum prospective debt service on our bonds before we can issue new Consolidated Bonds. As we pointed out to the New Jersey Legislature, our present program of contractual commitments brings us very close to this 1.3 requirement in the next few years. We could not continue to borrow new money if we diluted our revenues with a huge volume of railroad aid bonds against which we were receiving from the railroads only a one time coverage of our debt service. Consequently, with the Port Authority's entire future program imperiled on such a basis, the Commissioners could not possibly certify any such railroad aid proposal as conforming to the requirements of the bond indenture. They would be unable to do so under their pledge to outstanding bondholders even if there were no question of the railroad's ability to meet their obligations to the Port Authority.

No matter what the terms and conditions of the lease obligations would be the Port Authority credit could not but be impaired if the program did not afford either good security in the form of readily saleable equipment or a good credit in back of the promise to pay. Unfortunately, in our analysis, your proposal offers Port Authority bondholders neither good security nor good credit.

*Excerpt from Exhibit S-40*

There is one circumstance which we did not mention in our letter of March 2nd and which might make it possible for the Port Authority to undertake the program you suggested. This would be a guarantee by either or both of the States of the rental or other obligations of the railroads under any lease or other agreement entered into with them. We did not mention this because such a guarantee would make the Port Authority's participation unnecessary; the commuter railroads could sell their own equipment trust certificates with such a guarantee and presumably on much more satisfactory terms than we could hope to offer.

When our bondholders received the contractual assurance that our General Reserve Fund would not be pledged in connection with the financing of additional facilities unless the Commissioners of the Port Authority certified that the pledge would not impair the Port Authority's credit standing, the bondholders were relying upon the judgment and integrity of the Commissioners of the Port Authority. This is a responsibility under their bond contracts which the Commissioners cannot, as a matter of law, delegate to anyone else. The fact is that the Commissioners, out of a wealth of experience in both public and private finance, with intimate knowledge of the Port Authority's commitments and finances, and after consultation with the managers of the investment syndicates which bid upon their bonds, have concluded that any Port Authority program which would be of assistance to the railroads, would damage the Port Authority's credit standing and impair its ability to fulfill its commitments.

It would appear to us that there is presently available under the National Transportation Act a source of financial assistance to the railroads which offers a much more fruitful, proper and appropriate avenue toward a possible solution of the railroads' financial problems.

371a

*Excerpt from Exhibit S-40*

We realize there are certain provisions of that Act, such as the prohibition against the payment of railroad dividends during the period of the Federal guarantee, which may be unpalatable to railroad management. It would seem, however, that rather than recommend a course which the Commissioners of the Port of New York Authority would consider dishonorable and which we must reaffirm is legally, financially and contractually impossible, effort should rather be directed to amending those objectionable details of the existing Federal legislation.

Sincerely,

AUSTIN J. TOBIN  
Executive Director



372a

*Excerpt from Exhibit S-40*

[LETTERHEAD OF]

THE PORT OF NEW YORK AUTHORITY

LEE K. JAFFE  
Director of Public Relations  
Algonquin 5-1000

FOR RELEASE: Monday A.M.  
March 16, 1959

New York, Mar. 16—Donald V. Lowe, Chairman of The Port of New York Authority, and S. Sloan Colt, Chairman of the Authority's Finance Committee, in a joint statement declared today that the Port Authority was quite pleased that, in the report submitted to Governor Nelson Rockefeller today by Mr. Robert W. Purcell, a way had been found that makes it possible for the Port Authority to be of assistance in working out the commuter rail problem.

Chairman Lowe and Commissioner Colt noted that the purchase of commuter rail equipment is to be financed, as recommended by Mr. Purcell, by a combination of New York State advances of funds, along the lines of the original George Washington Bridge financing, and by special Port Authority securities guaranteed by the State of New York, along the lines of the State Thruway financing. They stressed that such financing in no way impairs the legal and contractual obligations of the Port Authority to its bondholders, nor does it impair in any way the Authority's credit or its ability to continue its work of port, airport and arterial development.

The plan recommended by Mr. Purcell necessarily avoids any use of the Port Authority's existing revenues and re-

*Excerpt from Exhibit S-40*

serves, all of which have been pledged to support outstanding bonds. It would substitute a state guarantee, after a constitutional amendment, to back up new bonds for the purchase of new commuter railroad cars which the Port Authority would rent to the railroads on a rental schedule calculated to recover the cost of the equipment. Until the constitutional amendment is adopted State funds would be advanced with which equipment orders could be placed and the program begin to roll.

PORT AUTHORITY COMMISSIONERS REACT FAVORABLY TO  
RECOMMENDATIONS SUBMITTED TO GOVERNOR ROCKEFELLER  
BY ROBERT W. PURCELL, ADVISOR ON THE NEW YORK COM-  
MUTER RAIL PROBLEM—2

The Commissioners said that the Authority's Executive Director, Austin J. Tobin, has worked in close collaboration throughout the past month with Mr. Purcell as well as with New Jersey State Highway Commissioner Dwight R. G. Palmer, who has been acting as Governor Robert B. Meyner's coordinator of the commuter problem in New Jersey. Commissioner Palmer has been kept fully informed and, from time to time, has reviewed the progress of the plan with both Mr. Purcell and Mr. Tobin.

In their statement Chairman Lowe and Commissioner Colt reaffirmed the view of the Commissioners of the Port Authority, as indicated in their statement before the New Jersey Legislature last November, that: "Both rail and highway transportation are essential to the economic welfare of the New York-New Jersey Metropolitan Region."

*Excerpt from Exhibit S-40*

It was for this reason that the Port Authority made available to the Metropolitan Rapid Transit Commission over \$800,000 to undertake its recent interstate transit survey. It was also for this reason that the Port Authority has devoted its attention and study to the rail rapid transit problem for the past thirty years.

At the same time, the Commissioners emphasized: "The Port Authority's comprehensive program of providing modern port, terminal and transportation facilities on a self-supporting basis is indispensable to the continued pre-eminence of the Port of New York. The preservation of the Authority's credit is the whole basis of this program. Any approach to the rapid transit problem that involved the impairment of that credit would be self-defeating.

PORT AUTHORITY COMMISSIONERS REACT FAVORABLY TO  
RECOMMENDATIONS SUBMITTED TO GOVERNOR ROCKEFELLER  
BY ROBERT W. PURCELL, ADVISOR ON THE NEW YORK COM-  
MUTER RAIL PROBLEM—3

"Mr. Purcell's recommendations to the Governor for the financing of commuter rail equipment is consistent with these principles" the Commissioners concluded. "It is therefore feasible and workable and at the same time safeguards the Authority's credit. If the two States authorize us to go forward they may be assured of our best efforts to work out our part of the program and in doing so protect the interests of the commuters, the States and the railroads themselves."

*Excerpt from Exhibit S-40*EXCERPTS OF MR. ROBERT W. PURCELL'S RECOMMENDATIONS  
TO GOVERNOR NELSON ROCKEFELLER

The railroads serving residents of New York in commuter service are prepared to enter into agreements to continue to provide the service and to lease on reasonable terms over a long period of years such new equipment as will be required to revitalize the service. I therefore recommend that the Port Authority purchase commuter railroad equipment and lease the same to the railroads for, say, 25 years, at a rental which would reimburse the Authority for its total cost, including carrying charges, over the term of the lease. This would give the railroads the opportunity to obtain modern equipment without any down payment and on terms which will give them the advantage of the ability of the Port Authority to issue long-term bonds carrying tax-free interest coupons and hence the lowest possible financing costs.

If promptly adopted, such a program could commence to provide new riding comfort for commuters sometime during 1960. Inasmuch as railroads entering into such leases will contractually agree not only to pay the rental during the term of the lease but also to operate the equipment, this will relieve the communities of the ever-present threat provided by the Federal Transportation Act of 1958 that commuter service may be discontinued.

The view has been expressed that any extensive program of this character might have an adverse effect on the Port Authority's credit, particularly if equipment should be leased to railroads such as the New Haven and Long Island, whose financial condition is not strong. It is my personal belief that these roads, as well as the New York Central, will be bringing commuters to New York for more years than will be covered by the proposed leases and, that

*Excerpt from Exhibit S-40*

irrespective of what may happen generally to these roads, the agreed rental will be paid for the equipment. Nevertheless, I realize that both existing and prospective Port Authority bondholders might not share this view, and for the Port Authority to enter into such a program at this time on its own credit might have an adverse effect on the credit rating of its bonds. Furthermore, the indenture securing the Port Authority's outstanding Consolidated Bonds provides in substance that 1.3 times debt service on new bonds should be realizable from projects financed with the proceeds thereof. If this coverage requirement should be applicable to railroad equipment, the rental requirement would be excessive.

These adverse results may be avoided if the State assures the Port Authority that it will be held harmless in the event of loss resulting from default on a railroad equipment lease. This could be done either (a) through an advance to be made by the State to the Port Authority for this purpose, repayable only out of the rental and/or sale of the equipment, or through refinancing as described below or (b) by a State guarantee running either in favor of the bondholders or directly to the Port Authority. I am advised that a constitutional amendment would be necessary for either of the guarantees required under (b) above and that such amendment could not be submitted to the voters until the general election in 1961. The problem is so critical that any such delay would be unwarranted and, accordingly, I propose the adoption of necessary legislation to enable the State to allocate up to \$20,000,000 of its capital construction funds so that they may be drawn down by The Port of New York Authority under the conditions stated above for the purpose of acquisition and leasing commuter equipment.

*Excerpt from Exhibit S-40*

By using these funds it should be possible to expand the equipment purchase program through monies derived from private banking sources based upon the pledge of the payment of railroad rentals or other payments on a normal equipment trust schedule and having the equity advantage, say to the extent of a 25% down payment on the equipment, provided by the State advances to the Port Authority. Repayment of the State's advances would be subordinated to such bank loans. By resort to such private sources, sufficient funds might be made available to meet the entire reasonable needs for new equipment of the three commuter railroads serving residents of New York.

In order to make it possible for the Port Authority to market securities either for its purchase of commuter railroad equipment to be leased to the railroads, or for repaying advances received from the State for this purpose, it would be necessary for the State of New York to guarantee the securities generally along the lines of its guarantee of New York State Thruway bonds. A constitutional amendment authorizing this guarantee could be submitted to two successive legislatures and to the people of the State at a general election as required.

The bi-state legislation necessary for this arrangement would involve only approval of the purpose of this type of financing and would leave both States free to go forward or not as each might choose with the type of commuter railroad equipment financing for which New York desires to employ the Port Authority's experience and trained personnel. In order to avoid a railroad rental equal to 1.3 times the debt service on the new securities, it would be necessary to avoid a pledge of the Port Authority's General Reserve Fund (already pledged to the holders of Consolidated Bonds and bonds of prior issues). Therefore, the

*Excerpt from Exhibit S-40*

legislation would contemplate a special issue of new Port bonds secured by the equipment, the rentals from or other payments by the railroads, and the State's guarantee.

If the definitive bonds to be sold by the Port Authority under the terms of the State guarantee to be permitted by the amendment to the Constitution are sold before the State's advances have been repaid out of collections from the railroads, then the advances would be repayable out of the proceeds of such definitive bonds.

Pending the adoption of a Constitutional amendment, New York legislation would be required to authorize the immediate advance to the Port Authority and to enable it to enter immediately into agreements with the railroads and the manufacturers for the purchase of new commuter rolling stock urgently needed for the continued safe operation of commuter rapid transit. This is necessary because the Port Authority has no revenues or reserves which can be pledged or applied to this purpose.

This is essentially the method followed by the two States in making advances for the start of construction on both the George Washington Bridge and the Staten Island Bridges. \$17.5 million was advanced by the two states, \$5 million by each state for the George Washington Bridge and \$4 million by each state for the Staten Island Bridges. These advances were subsequently repaid to the States. The legislation providing for these advances for the George Washington Bridge, for example, (Chapter 761 Laws of New York 1926 and Chapter 6 Laws of New Jersey 1926) provided that "in aid of the prompt and economic construction of the bridge \*\*\* the State of New York agrees \*\*\* to provide and make available \*\*\* the sum of \$5 million, or so much thereof as may be requisitioned." The George Washington Bridge and Staten Island Bridges financing statutes

*Excerpt from Exhibit S-40*

provided for the making of the advances in five equal annual installments. The legislation also provided for the subordination of the State's advances to the lien of the holders of securities issued to raise the balance of the construction costs.

The foregoing proposal would give to the people of the State the benefit of the experience and efficiency of the Port Authority and its broad background in all phases of transportation in the New York Metropolitan area. The Authority would, of course, have the right to decline to supply equipment unless it was satisfied that it was the right equipment, that it was needed, and that it would be reasonably justified under prevailing conditions. In other words, the Authority would be expected to apply sound business judgment in working out the program. Additionally, because the resources of the State would be involved, equipment purchases should be subject to review by the State Comptroller.

It will be necessary for the State of New Jersey to pass companion enabling legislation. I can see no valid reason for objection by that state. On the contrary, the enabling legislation passed by New York would make it possible for New Jersey to provide its railroads with new equipment, provided New Jersey advances funds or authorizes bond guarantees along lines similar to those proposed above for New York.

Suggested legislation to accomplish the foregoing is presently being prepared and will be forwarded to you shortly.



380a

**Exhibit S-44**

**(Memorandum dated April 22, 1974)**

MEMORANDUM

April 22, 1974

**PORT AUTHORITY OF NEW YORK AND  
NEW JERSEY**

I am advised by counsel that at a meeting with Port Authority counsel and our New Jersey Counsel today, it was understood and agreed that upon the prospective enactment of the New Jersey legislation repealing the "1962 Covenant", the Trust Company would bring an action against the State of New Jersey and its officers seeking a declaratory judgment that such legislation is null and void because violative of the the State Constitution and that the 1962 Covenant is a valid and binding contract between the Authority and its bondholders. The Trust Company would seek recognition by the Court of its status as representative of the class of all outstanding bondholders and as indenture trustee of Consolidated Bonds Series 40 and 41, and its compensation, including fees and expenses of counsel, would be paid by the Authority.

As this action will proceed in the next several days, please let me know if you have any further questions following your general approval of proposed legal action expressed to me on April 18 and 19.

**J. SINCLAIR ARMSTRONG**

**To: Dr. O'Leary  
Mr. Heard**

**Exhibit S-56**

## MASSACHUSETTS PORT AUTHORITY

4¾% 1998

		<u>1961</u>	
	<u>Date</u>	<u>Bid</u>	<u>Asked</u>
March	1	108¾	109¼
	2	Not Reported	
	3	107¾	108¾
	4	107½	108½
	Sun. 5	—	—
	Mon. 6	—	—
	7	107¼	108¼
	8	107¼	108¼
	9	107¼	108¼
	10	107¼	108¼
	11	107¼	108¼
	Sun. 12	—	—
	Mon. 13	—	—
	14	107¼	108¼
	15	107	108
	16	106½	107½
	17	106½	107½
	18	106	107
	Sun. 19	—	—
	Mon. 20	—	—
	21	106	107
	22	105½	106½
	23	105½	106½
	24	105½	106½
	25	105½	106½
	Sun. 26	—	—

*Exhibit S-56*

	<u>Date</u>	<u>Bid</u>	<u>Asked</u>
Mon.	27	—	—
	28	105½	106½
	29	105½	106½
	30	105½	106½
	31	105½	106½
April	1	No Prices Reported	
Sun.	2	—	—
Mon.	3	—	—
	4	105¼	106¼
	5	105	106
	6	105	106
	7	105	106
	8	105	106
Sun.	9	—	—
Mon.	10	—	—
	11	105	106
	12	105	106
	13	105	106
	14	105	106
	15	105	106

SOURCE: New York Times

383a

*Exhibit S-56*

NEW YORK PORTS CONSOLIDATED

3-40% 1987

		<u>1961</u>	
	<u>Date</u>	<u>Bid</u>	<u>Asked</u>
March	1	95	—
	2	95	—
	3	95	—
	4	95	—
Sun.	5	—	—
Mon.	6	—	—
	7	95	—
	8	95	—
	9	95	—
	10	95	—
	11	95	—
Sun.	12	—	—
Mon.	13	—	—
	14	95½	—
	15	95½	—
	16	95½	—
	17	95½	—
	18	95½	—
Sun.	19	—	—
Mon.	20	—	—
	21	95	—
	22	94½	—
	23	94½	—
	24	94½	—
	25	94½	—
Sun.	26	—	—

*Exhibit S-56*

	<u>Date</u>	<u>Bid</u>	<u>Asked</u>
Mon.	27	—	—
	28	94½	—
	29	94½	—
	30	94½	—
	31	94½	—
April	1	No Prices Reported	
Sun.	2	—	—
Mon.	3	—	—
	4	94½	—
	5	94½	—
	6	94½	—
	7	94½	—
	8	95	—
Sun.	9	—	—
Mon.	10	—	—
	11	94½	—
	12	94½	—
	13	94½	—
	14	94½	—
	15	94½	—

SOURCE: NEW YORK TIMES

**Excerpt From Exhibit C-3****THE PORT AUTHORITY OF NEW YORK and  
NEW JERSEY****1972 ANNUAL REPORT**

“The highlight of 1972 was the announcement by your Excellencies in mid-November of a bi-State plan for major rail mass transportation development by the Port Authority, and the passage of the necessary enabling legislation in New Jersey. Detailed engineering planning and negotiations on the \$650 million project, which was planned by the Port Authority in close cooperation with the New Jersey Department of Transportation and the Metropolitan Transportation Authority, proceeded immediately in anticipation of legislative approval so construction could begin as soon as possible in 1973.”

\* \* \*

**“PLANNING FOR THE FUTURE”**

The most significant event of 1972 was the announcement by the two Governors of an agreement with the Commissioners of the Port Authority on a bi-State plan of major rail mass transportation improvement by the Port Authority. The plan was developed by the Port Authority in close cooperation with the New Jersey State Department of Transportation and the Metropolitan Transportation Authority, a New York State agency. It calls for the expenditure of approximately \$650 million for capital improvements to be financed by a combination of Federal, State and Port Authority funds. The Port Authority's investment in these improvements is expected to total \$250-300 million.

*Excerpt From Exhibit C-3*

Legislation to authorize the project was passed by the New Jersey Legislature and signed by Governor Cahill before the end of the year.\*

The plan provides for:

- rail rapid transit service on the Port Authority Trans-Hudson (PATH) System from Penn Station, Newark, into Union County to Plainfield, New Jersey, via Newark International Airport.
- direct rail service to Pennsylvania Station, New York in mid-Manhattan for New Jersey and New York riders of the Erie Lackawanna Railway in Bergen, Passaic, Morris, Union, Somerset and Essex Counties in New Jersey and Rockland and Orange Counties in New York. Under the plan, Erie Lackawanna commuters will thus have the option of direct service to mid-Manhattan as well as to Hoboken where transfer to PATH for the trans-Hudson trip would continue to be available.
- direct high-speed rail service between Manhattan and John F. Kennedy International Airport.

The legislation eliminates a previous statutory requirement that the Kennedy and Newark Airport projects must proceed simultaneously as a “single port development project.”

By the end of 1972, the Port Authority was doing preliminary work on these plans in close cooperation with the two State transportation agencies, the Federal Government, the railroads and municipalities directly involved, and others. Detailed engineering planning and negotiations were under way in anticipation of legislative approval so

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\* Identical legislation was under consideration by the New York Legislature in March 1973 as this report went to press.

*Excerpt From Exhibit C-3*

that construction might begin as soon as possible in 1973 on one or more of the projects. The program is expected to be completed by the end of 1977.

The provision of rail service to Newark International Airport calls for the use of existing PATH trackage from Newark's Penn Station to South Street; new tracks running adjacent to Penn Central tracks from South Street to a new station at the airport, and a connection to the airport's planned internal transportation system.

New PATH tracks would run from Newark Airport south to a connection with the mainline of the Central Railroad of New Jersey, in order to use the CNJ right-of-way to Plainfield and to provide improved rail service to 7,600 daily CNJ riders who now change to PATH trains at Newark. The distance of the new PATH rail transit service is to be approximately 18 miles.

Preliminary steps were taken at year's end to implement the plan for expanded direct rail service for several branches of the Erie Lackawanna Railway to Pennsylvania Station, New York. This program encompasses direct commuter rail service for passengers from Morris, Union, Somerset and Essex Counties on the Morris and Essex Division of the Erie Lackawanna into mid-Manhattan by means of direct track connections at Kearny, New Jersey between the Erie Lackawanna and Penn Central; a new railroad bridge across the Hackensack River; and direct track connections at Secaucus between the Penn Central and the Erie Lackawanna's Bergen County line to serve the Meadowlands, Bergen and Passaic Counties in Northern New Jersey and Rockland and Orange Counties in New York. The plans also include extensive track and signal improvements, a new railroad yard and substantial improvements to Penn Station, New York.



*Excerpt From Exhibit C-3*

Significant travel time savings for some 20,000 daily Erie Lackawanna commuters desiring rail access to and from the mid-Manhattan area would be realized from this plan which also could provide other benefits such as direct rail service to projected new developments in both States.

Planning went forward as well with the Metropolitan Transportation Authority and the airlines for extending the Long Island Rail Road to Kennedy Airport to provide service to and from Penn Station in New York and Jamaica.

This project would provide an electrically powered rail service between Pennsylvania Station in Manhattan and a rail terminal station within the Central Terminal Area of Kennedy Airport. The approximate running time from Penn Station to an airline unit terminal at Kennedy would be 28 minutes, including the use of passenger distribution system.

A second service for Queens, Nassau and Suffolk counties would run from the Long Island Rail Road's Jamaica Station over the Montauk Branch to its intersection with the route taken by the trains from Penn Station. The service would then operate in common with the Penn Station service to the same Central Terminal Area rail station.

Brooklyn service would be provided from a station in Woodhaven, Queens, at a point where the airport route crosses Atlantic Avenue.

A separate passenger distribution system ("people mover") would link each airline unit terminal to the proposed rail terminal within the Central Terminal Area. This system to distribute passengers from the rail line to their individual airline destinations would also serve as an inter-line transportation system.

*Excerpt From Exhibit C-3*

The rail service between Manhattan's Penn Station and the Long Island Rail Road's Jamaica Station into Kennedy Airport is expected to accommodate over 10 million passengers annually by the year 1982.

In addition, negotiations began during the year with the Penn Central Transportation Company for PATH's operation and rehabilitation of Penn Station, Newark.

\* \* \*

**"BASIC POLICIES AND FINANCIAL STRUCTURE**

The States of New Jersey and New York directed the Port Authority ". . . to proceed with the development of the Port of New York . . . as rapidly as may be economically practicable . . .". The Authority, however, may not levy taxes, assessments or pledge the credit of either State or any municipality. In other words, its program of public works was to be supported and financed by the private sector, and to this end the two States pledged their "cordial cooperation . . . in the encouragement of the investment of capital . . .".

In order to finance—on a self-supporting basis and without cost to the general taxpayer—the land, sea and air terminal, transportation and other facilities of commerce as directed by the two State Legislatures, it is necessary for the bi-State agency to conduct its affairs with prudence and to employ sound management practices in order to build a strong credit base and sound financial structure.

To achieve the continuing objectives of strength and stability in its financial structure and command the confidence of investors, it is necessary for the Port Authority to meet certain legal and fundamental financial standards.

The statutes establishing the General Reserve Fund provide for the pooling of revenues to the end that older facili-

*Excerpt From Exhibit C-3*

ties with established earning power can aid new projects during developmental periods until they reach their anticipated point of self-support. These statutes provide for the amount of the General Reserve Fund to be equal to ten percent of the total par value of the Authority's outstanding bonds including Consolidated Bonds.

The Port Authority's long-established policy is to retire bonded debt as rapidly as sound financial management permits and to maintain, at year-end, a combined amount in its reserve funds, including reserve funds in trust, equal to at least the next two years' mandatory bonded debt service. Acceleration of debt retirement before mandatory dates may be accomplished out of the General Reserve Fund only to the extent that reserve funds exceed the ensuing two years' debt service.

Bonds for an additional facility cannot be issued with a pledge of the General Reserve Fund unless the Port Authority Commissioners certify to investors that the pledge will not materially impair the sound credit standing of the Authority, the investment status of the Authority's bonds, or the ability of the Authority to fulfill its commitments and undertakings.

Judicious planning, advanced engineering techniques and sound management practices are utilized to bring new projects to their anticipated point of self-support as soon as possible.

Adherence to these requirements and policies has resulted in a sound financial structure which has been recognized by individual investors and financial institutions throughout the United States. Over the years, more than three and one-half billion dollars of Port Authority obligations have been purchased by investors, of which only one and one-half billion dollars was outstanding at December 31, 1972.

\* \* \*

*Excerpt From Exhibit C-3*

## "ADDITIONAL INFORMATION FOR BONDHOLDERS

Consolidated Bonds are direct and general obligations of the Authority and the full faith and credit of the Authority are pledged to the payment of debt service thereon.

All Consolidated Bonds, including any which may hereafter be issued, are equally and ratably secured by a pledge of the net revenues of all existing facilities of the Authority (not including cars acquired under New York State's Commuter Railroad Car Program) and any additional facility which may be hereafter financed in whole or in part through the medium of Consolidated Bonds, as provided in the Consolidated Bond Resolution. The prior liens and pledges with respect to certain of such net revenues in favor of General and Refunding, Air Terminal and Marine Terminal Bonds of the Authority referred to in the Consolidated Bond Resolution have been satisfied by the establishment and maintenance of the Special Air Terminal and Marine Terminal Reserve Funds in Trust \* \* \* . All Consolidated Bonds are further secured by a pledge of the monies in the Consolidated Bond Reserve Fund, as provided in the Consolidated Bond Resolution.

On December 31, 1972, outstanding Consolidated Bonds totaled \$1,523,334,000. Over the years, the Authority has issued \$2,241,650,000 of Consolidated Bonds, exclusive of refundings.

The 1962 statutes adopted by the Legislatures of New York and New Jersey, which authorized Port Authority acquisition of the interstate Hudson and Manhattan Railroad, provided by way of a statutory covenant with the holders of affected bonds that deficit financing of additional passenger railroad facilities would be undertaken only