How I Made Lindsay Mayor, by Jimmy Breslin
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THE CITY
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The Gang That Couldn't Shoot Straight
By Jimmy Breslin

For longer than anyone can remember, a certain "family" has run all organized crime in Brooklyn. One of the five groups that make up the New York Mafia, this family is now getting old, smug and tired. Along comes Kid Sally Palumbo, a punk with some big ideas, one of which is to knock over the old leadership. In this excerpt from Jimmy Breslin's new novel, in which the characters are real enough, the Kid gets ready. Will he succeed? Tune in next week for Part II.

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The Nixon Underground
By Roger Lapanje

Take a few LP records, play them backwards at the wrong speed, and you can uncover enough secret messages to prove that the real Paul McCartney is alive and well on the outer ring of Saturn. There are some pretty strong indications that maybe our 37th President is somewhere (or someone) else, too.

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How the Port Authority Is Strangling New York
By Theodore W. Kheel

Mr. Kheel, the distinguished New York lawyer and labor mediator, has looked closely at the Port of New York Authority and discovered a giant running out of control. Ignoring its charter and indifferent to the opportunities that surround it, the Port Authority obviates the needs of the money market, not the needs of the community it was created to serve.

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The Lively Arts

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Thrashing Around
By John Simon

Several recent plays strike out for the big statement, but are strangled in their own unimportance.

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The City Politic: How I Pulled Lindsay Through
By Jimmy Breslin

There are all sorts of high-toned theories around explaining the mayor's victory last Tuesday, but none any more plausible than this one.

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In and Around Town

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Best Bets

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The Passionate Shopper: For Whom the Bell Rings
By Deborah Haber

Telephone-answering services are plentiful, but maybe the word "service" needs to be looked at a little more in detail. Mostly, it's a misnomer.

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The Underground Gourmet: Two from Japan
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A pair of midtown Japanese restaurants are variable in quality.

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New York Magazine Puzzle
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World's Most Challenging Crossword
From The Sunday Times of London

Cover: photograph by Leonard Senid

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Next Week: The Coming of Age of New York's Puerto Ricans, by Pete Hamill
How the Port Authority Is Strangling New York

By Theodore W. Kheel

“The Port Authority is a dangerously short-sighted and rigidly conservative money machine harnessed to serve, not the public interest, but the private vision of an opportunistic management.”

A few weeks ago State Controller Arthur Levitt released the results of an audit he had made of the diverse operations of the Port of New York Authority, the huge para-governmental agency that runs all the major airports, many of the bridges and tunnels, and much of the sprawling network of marine and motor terminals that serve New York, the busiest port in the world. The Port Authority, Levitt reported, made a lot of money on five of its facilities, lost money on 14 others, and did little more than break even on another six. On total revenues of $208 million in 1967, according to Levitt's analysis, the Port Authority was able to show a surplus of just $6 million after meeting all its obligations. This 3 per cent cushion, one was allowed to infer from the New York Times’ account of the Levitt audit, was a commendably small margin, a tribute to the Port Authority's disinterested labors on behalf of all of us.

This view of the Port Authority's operations is, to put it charitably, naive nonsense. In 1967 the authority actually showed a surplus of nearly $82 million. The difference between the money it showed and the money it really made results from a bookkeeping gambit, the purpose of which was to mask the Port Authority's true moneymaking power. Newspaper reports of the Levitt audit were grossly misleading. The Port Authority's willingness to let them stand uncorrected, was unpardonable chutzpah. But that is what we have been taught to expect of the agency.

Far from being the far-seeing, creative enterprise it was meant to be, the Port Authority today is a dangerously short-sighted and rigidly conservative money machine harnessed to serve, not the broad public interest, but the private visions of an astonishingly narrow, relentlessly opportunistic management. The citizens of New York and New Jersey, acting through their respective legislatures, created the Port Authority in 1921 to coordinate the building of a balanced transportation system to meet the needs of the burgeoning port and the metropolitan area around it. Instead, the Port Authority has betrayed its mandate and has contributed greatly to the massive imbalance in ground transportation that is surely strangling Greater New York. It has all but totally ignored commuter railroads. It has preferred to grow huge—and hugely profitable—by catering to motorists. Without even the flimsy justification of acting in the interest of its stockholders—it has none—the Port Authority pursues money, not service, with the arrogance, indifference and contempt for the public welfare characteristic of 19th-century robber barons.

An enormous gap exists between what the Port Authority professes to be and what it really is. Its financial data is reported in such a way as to suggest that the Port Authority is walking—prudently, to be sure—a financial tightrope. In fact, the Port Authority is astonishingly profitable: last year the money left over after paying its expenses, as most accountants understand the word, was not 3 per cent, but more like 37 per cent, of its combined revenues.

The Port Authority began life with a high purpose, a little seed money, but no power to levy taxes or pledge state revenues. It was supposed to pay its own way. Indeed it has. In the past 48 years it has spent nearly $2 billion on facilities (worth several times that amount today) and has repaid long-term loans of nearly $1 billion. It has about $1 billion in bonds outstanding today, but it could add another $1 billion to that debt load with ease. Last year it had revenues of $226 million and cleared $89 million after paying operating expenses and debt interest. Operating profit was more than triple its $25 million in amortization charges last year.

Nowhere in its charter or in any state law is it said that everything the Port Authority does must be self-supporting. Nor is it written that the Port Authority must possess the finest credit rating in the bond market. Austin J. Tobin, its executive director for 27 years, once said, “Above all else, the people expect their officials to give them prudent and conservative management of public funds.” This is disingenuous. Public servants are expected to manage public funds as prudently and conservatively as their essential purpose permits. A seemingly unprofitable venture, such as helping mass transportation, might be more genuinely productive than any seemingly self-supporting service the Port Authority has yet turned its hand to—and ultimately could cost us far less.

But we were not aware, during the 1950s and 1960s, of what the Port Authority was up to. We did not see that it had substituted for the will of the people, as expressed in the bi-state compact that created it, the will of the bond market as expressed by the price moneylenders charge for their loans. Today, the Port Authority's transpor-
The strangulating traffic its bridges and tunnels bring, the cost of air pollution, are dismissed as someone else's problems.
ing the postwar years as more and more people turned away from mass transportation and began using cars not merely for holidays but to get to work. Providentially in place by then as executive director of the Port Authority was Austin Tobin. By its own special lights, Tobin was the ideal executive to drive the Port Authority into the motor age and drive advocates of mass transit into despair.

Tobin joined the legal staff of the Port Authority upon graduation from Fordham Law School in 1927 and has been with the Port Authority ever since. For the last 27 years he has been the boss, setting policy and making decisions. "My own executive office," Tobin has said, "has the same normal responsibilities as those of the president of a private corporation."

Unlike Robert Moses, who had control of a comparable organization—the Triborough Bridge and Tunnel Authority—Austin Tobin has shunned personal publicity. Were it not for his inattention to celebrity, Tobin might remind one of J. Edgar Hoover, or perhaps Air Force General Curtis LeMay—stocky, decisive, and not easily distracted from what he presumes to be his job.

What makes Austin Tobin tick? What induces a man with clear goals and great energy to put blinders on, to narrow his choices rather than to expand them? More personal ambition cannot explain it. His annual salary of $70,000 makes him one of the best-paid public servants in the country, to be sure, but Tobin would doubtless have done well anywhere. Perhaps it is the sense of power his position gives him—enormous resources at his command and, through the indifference of the states, remarkably little restraint on his use of them.

Under Tobin, the Port Authority has gone to great lengths to prevent attempts to involve it in the steadily worsening problems of the commuter railroads that serve New York. In 1961 New Jersey wanted the Port Authority to take over the bankrupt Hudson and Manhattan Railroad. At the time, the authority was already rich and getting richer fast.

The threat of being forced to take over a money-losing railroad really shook up Port Authority officials. "These proposals," Daniel Goldberg, Tobin's associate counsel, later recalled, "made us take a good look at our financial structure to see to what extent, if at all, we were open to this kind of financial raid at the sacrifice of the security that our bondholders had bargained for when they had loaned us hundreds of millions of dollars." (Emphasis added.)

Goldberg's comment is admirably
candid. It reveals how very far from its original purpose the Port Authority had strayed. Bondholders had been promised, it appears, that the Port Authority would not only refuse to take over any "headache," but mass transportation was a headache. Anyone who tried to get the Port Authority to do this was guilty of a "financial raid at the sacrifice of the security that our bondholders had bargained for." What about "our" commuters and "our" strap-hangers? What about the Port Authority's own original bargain to coordinate all forms of transportation? They did not matter. Bridges and tunnels for motorists produced huge profits. Mass transportation was a losing proposition. The bondholders favored loans to the former but not the latter.

As any business would, under the circumstances, the Port Authority had already taken some measures to protect itself against a "raid." But it was not entirely secure. Its own ambition had made it vulnerable. In its formative years the authority had borrowed separately for each facility it built. This limited the use it could make of the profits any one facility generated. But later it set up a General Reserve Fund for all bonds and got the right to use surpluses from each facility for other purposes. This move gave the Port Authority considerably more room to flex its muscles. But in time it sought still more flexibility because, as Goldberg once explained, "we looked forward to the enormous postwar horizons that the Port Authority was facing up to. We needed a new financial device where the purposes would be unlimited, where the dollars would be unlimited, and only legality and financial practicability would impose the limits." The Port Authority got that, precisely, in its Consolidated Bond Resolution of 1952, under which it sold almost 93 per cent of all its currently outstanding bonds.

But if the purposes and dollars were unlimited, the Port Authority could indeed absorb the Hudson and Manhattan Railroad. And, if that were so, why could it not be forced to take over other commuter railroads as well? How to protect itself from this terrible disease, that was the question.

By way of answer, the Port Authority brought off a daring coup. It had already announced its interest in building a World Trade Center, a gigantic real-estate venture it hoped to launch in lower Manhattan. New York State had posed no objections. Only New Jersey, with its troublesome fussing about the Hudson and Manhattan tubes, stood in the way. To get what it wanted, the Port Authority worked out a clever strategy. It agreed to take over the Hudson and Manhattan Railroad, but in re-
The World Trade Center is a striking example of socialism at its worst—a state agency needlessly and inefficiently intervening in a market already well served by private capital.

turn it not only got permission to go ahead with the World Trade Center but also extracted covenants from both New York and New Jersey intended to prevent the states from ever again dragging it into the commuter transit business. The Constitution of the United States, no less, is the instrument for this play. Article IV says that no state shall impair the obligations of a contract. Thus, because appropriate language was written into the contract with the states under which it took over the tubes, the Port Authority believes it can never again be asked to do anything significant for mass transportation.

Reluctant as it was to get involved, the authority has done a first-rate job with the Hudson tubes since it took over in 1962. Renamed PATH (for Port Authority Trans-Hudson system) and overhauled at a cost of $125 million to date, the line is rapidly improving and passenger revenues are climbing. By the Port Authority's reckoning, PATH ran up operating losses of nearly $10 million last year. Beyond question, the community would be spending a great deal more if PATH had been allowed to die.

Under Tobin's leadership the authority has lost all sense of its original purpose. One evidence of this is the second level of the George Washington Bridge it finally completed in 1962—not for rapid transit, as envisioned back in 1927, but for cars and trucks. The clearest sign of the Port Authority's intellectual bankruptcy and arrogant indifference to the real needs of this community is the monstrous real-estate venture it has launched in lower Manhattan. The World Trade Center it is now building will have twin towers rising 110 stories high, taller than the Empire State Building. It will hold more space than the Pentagon. It will cost at least $600 million. The Port Authority has committed this huge sum—enough, say, to build a new East Side subway in New York—despite the fact that Manhattan is at present experiencing the greatest office-building boom in the history of man. The World Trade Center is rising despite the fact that private builders have demonstrated a unique capacity to build office buildings in Manhattan without government assistance. The real needs of the people in the Port District which private industry cannot satisfy include housing, education, community services, medical care, parklands, environmental protection, and, of course, transportation. The only possible reason for the Port Authority's going into the office-building field at this time is simply that it is profitable.

The World Trade Center is a striking example of socialism at its worst—a state agency needlessly and inefficiently intervening in a market already well served by private capital.

Unlike the private outfits now constructing office space, the Port Authority will receive a subsidy of many millions from the federal, state, and city governments to build office space in Manhattan. Here is how the subsidy comes about: The interest the Port Authority pays on its bonds is tax-exempt to the lender. The authority will borrow the money it needs at an annual interest cost many millions of dollars below the price private borrowers would pay. Where is the difference coming from? From the federal, state and city governments that would otherwise collect that amount in taxes paid by bondholders. In addition, the Port Authority will pay New York City at least $15 million a year less in real estate taxes than private builders would pay for comparable space. When the World Trade Center is completed in 1972, Washington, Albany and New York may be subsidizing it by a sum approaching $50 million per year. This for a commodity easily available from others. This at a time when governments are hard-pressed to find funds for needs that private industry cannot supply. In all conscience the Port Authority should sell the trade center to private investors, thereby boosting tax revenues, and get back to its proper business.

The Port Authority makes money from the federal government another way. It borrows money at low rates in the municipal bond market because its interest payments are tax-exempt. It invests part of this in United States Government securities, as reserves for the bondholders—securities which, because they are not tax-exempt, pay the higher interest. The Port Authority pockets the difference, a pure subsidy from the federal government.

The Port Authority boasts that the World Trade Center will include a handsome new terminal for its PATH trains. But apart from that, it is silent on what it will do about the massive traffic congestion the World Trade Center is certain to create. Who will provide the transportation and other facilities needed to accommodate 50,000 tenants and 80,000 visitors per day in an area that is already crippled by overloaded transit facilities? That, the Port Authority blithely assumes, is someone else's problem.

The Port Authority has been generous to the states on occasion—but only when it could see something in it for itself. In 1955, for example, it gave New Jersey—gave—$24 million to speed construction of highways leading to its own George Washington Bridge. There is no reason, save not giving a damn, why it could not do something for the millions of commuters in New York and New Jersey who depend on the railroads. But nothing of the sort is in prospect. The Port Authority seems determined to go about its business as usual—arrogant, exploitative and acting on its larger responsibility. It has succeeded in tying its own hands through restrictions written into its bonds and its contracts with the states. These restrictions, of course, are not nearly so binding as the Port Authority now likes to think. What lawyers do, lawyers can often undo.

But the hard fact is, it will be difficult to get the Port Authority to change its ways. In a report to Mayor Lindsay last September, I stated that by doubling the tolls for vehicular traffic at all Port Authority crossings, the Port Authority would realize at least $70 million of additional revenues without any additional operating expenses; that these additional revenues would more than double the Port Authority's present borrowing capacity, making it possible for the Port Authority to borrow up to two billion dollars more, and that this could be used to help mass transportation in New York and New Jersey without in any way impairing the Port Authority's commitments to its bondholders, its credit standing, its ability to complete projects under way, and its opportunity to invest in new ventures. The Port Authority refused comment on this, as it had refused to comment on other suggestions I had made on ways the Port Authority could help mass transportation.

Can the Port Authority continue to ignore its mandate? Can it continue to remain unresponsive to the needs of the urban communities in New York and New Jersey in the Port District? It seems determined to do just that. After all, who can stop it?