

THE PORT OF NEW YORK AUTHORITY
111 Eighth Avenue at 15th Street ~ New York 11 NY

Algonquin 5-4000

EXECUTIVE OFFICES

Austin J. Tobin
EXECUTIVE DIRECTOR

May 13, 1955

Mr. George Spargo
Triborough Bridge & Tunnel Authority
Randall's Island
New York 35, N. Y.

Dear George:

Here is a letter which I put in Dave Wood's hands last month, supporting the proposed legislation which would restore to national banks the power to invest in and underwrite qualified revenue bonds. As I noted in the letter, I think that the restoration of these prime investors to our market is a good thing for both agencies.

Do you think there would be any chance of persuading the Mayor to ask the United States Conference of Mayors, which will meet here in New York around the 20th of the month, to give its official support to this proposal. I talked to Paul Betters this morning and found that he is favorably disposed to the proposal.

Sincerely,

Austin J. Tobin
Executive Director

L-encl.

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April 19, 1955

Wood, King & Dawson, Esqs.
48 Wall Street
New York, New York

Gentlemen:

I have studied the proposed legislation which would restore to national banks power to invest in and underwrite obligations of The Port of New York Authority, other authorities and revenue bonds of states and municipalities and their agencies. It is my opinion that the adoption of such legislation would definitely improve the market for bonds of The Port of New York Authority and other such issuers by adding a substantial and important group to those who may compete for our bonds on original offering and invest in them without limitation thereafter. Since the Port Authority and all such other agencies are engaged in performing essential governmental functions of the states, I believe that the facilities of their financing by this bill would reduce the cost of their public works and aid the public which they serve.

I call attention to the fact that the Comptroller of the Currency originally ruled in 1934 that Section 5136 of the Revised Statutes, as now in effect, does permit national banks to invest in and underwrite bonds of The Port of New York Authority without limitation since our bonds have a pledge of our full faith and credit and therefore qualify as "general obligations" within the meaning of the statute permitting such investment and underwriting. However, the Comptroller reversed this position in 1942, and his office continues to take the position, contrary in our opinion to the law and the facts, that our bonds are not "general obligations."

While a simple return to the ruling of 1934 would, therefore, solve the problem for the Port Authority, I support the adoption of the legislation in question as a simple and effective way of reaching the highly desirable result of permitting the maximum investment and underwriting of securities of our agency and similar public institutions. I would assume that the limitations upon bank investment and underwriting should be in terms of the soundness of the investment. Since Port Authority bonds are all rated AA and A by the responsible investment rating services, I can see no argument against according them the same opportunity of access to bank capital as is afforded to tax-supported obligations of municipalities. Our Port Authority's position is not unique in this respect. Of the \$3,739,900,000 of obligations of the states and their political subdivisions which were rated by Moody's Investor's Service on January 1, 1954 and which were not tax supported, 78.5% were in the AAA, AA or A investment categories.

You are authorized to present to the Federal Reserve Board the basis for my opinion that the legislation in question should be adopted and my reasons, stated above, for this opinion.

Very truly yours,

Austin J. Tobin
Executive Director

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