Transportation Policy: Implications for International Trade in the New York and New Jersey Region

Investment Decisions Key to Robust Future in Goods and Services Trade

Linda K. Bentz

Capacity and efficiency of the NY-NJ transportation network is an important determinant of future regional trade performance. Not only are transportation facilities a prerequisite for trade, but the quality of those facilities has been estimated to affect up to 40 percent of transport costs, making it a significant factor in national and regional competitiveness. For this reason, the World Economic Forum has identified infrastructure (including transportation) as the second of twelve pillars of global competitiveness.

For many decades, the NY-NJ region’s transportation assets have served the global business community well, enabling the region to become a preeminent competitor for trade in goods and services between the United States and the rest of the world. Indeed, the region’s airports far surpass any other in the nation for the volume of international traffic; and its maritime ports are the largest on the East Coast and the third largest in the nation.

Most regional transportation facilities engaged in international trade are stressed by their success and run the risk of threatening the region’s competitive strength in the future if new investments are insufficient to meet forecasted demand. The need for major upgrades and redevelopment is driven, in part, by promising forecasts for long-term demand atop current levels of congestion, capacity constraints, delays, and other service quality issues. Furthermore, the need for modernization has arisen because fundamental elements of the area’s international transportation assets were designed more than seventy years ago, have been enveloped by continuing urban growth, and in many cases serve other regional markets that are also growing.

This paper will begin with an overview of the current competitive stance of the NY-NJ region with respect to international trade. Next, the regional facilities of significance to international trade will be identified and subsequently assessed for their current levels of performance. Then, the paper will take a look at forecasted long-term demand for these facilities along with known planned investments to ready those facilities for the future. Finally, the institutional framework and roles for investing in the future capacity of international trade infrastructure will be presented.

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3 The other eleven pillars identified by the World Economic Forum are: institutions, macroeconomic environment, health and primary education, higher education and training, goods market efficiency, labor market efficiency, financial market development, technological readiness, market size, business sophistication, and innovation. See: The Global Competitiveness Report 2013-2014, World Economic Forum, 2013.
4 It should also be noted throughout this discussion that the explosion in international trade following the end of the Cold War and epochal events such as the accession of China to the World Trade Organization have fundamentally changed the demand side of the equation as it relates to trade and infrastructure.
The NY-NJ Region’s Competitive Position in International Trade

The import and export of goods by waterborne vessels or air in the NY-NJ region experienced rapid growth – 48.5 percent as measured by value – for the decade that included the Great Recession. Even with this impressive increase, the national increase was larger still, at 54.7 percent (Table 1). Consequently, the region’s share of national vessel and air cargo value fell from 17.2 to 15.1 percent between 2002 and 2012.5

Table 1

<table>
<thead>
<tr>
<th>NY-NJ Region’s International Vessel &amp; Air Trade Grows Rapidly but Lags U.S.</th>
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<tbody>
<tr>
<td><strong>Value of Vessel and Air Cargo: 2002-2012</strong></td>
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<tr>
<td>(in billions)</td>
</tr>
<tr>
<td><strong>U.S.</strong></td>
</tr>
<tr>
<td>2012</td>
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<tr>
<td>$2,709</td>
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<tr>
<td><strong>NY-NJ Customs District</strong></td>
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<tr>
<td>2012</td>
</tr>
<tr>
<td>$410</td>
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<tr>
<td><strong>Change in Value 2002-2012</strong></td>
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<tr>
<td><strong>Percent Change 2002-2012</strong></td>
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<tr>
<td><strong>U.S.</strong></td>
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<tr>
<td>$1,481</td>
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<tr>
<td><strong>NY-NJ</strong></td>
</tr>
<tr>
<td>$199</td>
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<tr>
<td><strong>Percent Change</strong></td>
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<tr>
<td><strong>U.S.</strong></td>
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<tr>
<td>54.7%</td>
</tr>
<tr>
<td><strong>NY-NJ</strong></td>
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<tr>
<td>48.5%</td>
</tr>
</tbody>
</table>

Source: U.S. Bureau of the Census

5 Note that within this ten-year period, there were years when the region’s trade in goods outpaced that of the nation. In 2011, for example, the region’s trade in goods jumped 18 percent, compared to the nation’s 15.5 percent rise. Overall, 2012 marked the beginning of a period of slowdown in the growth in the value of waterborne vessel and air cargo for both the nation and the region. For the nation, the rate of growth between 2011 and 2012 was only 2.3 percent. For the NY-NJ region, trade actually contracted, by -1.2 percent. For analysis on the drivers of this slowdown and decline, see “International Trade through the New York and New Jersey Region” by Eugene Spruck, prepared for the Weissman Center’s Occasional Paper Series, June 2013, available online. For the first nine months of 2013, international trade statistics have worsened. The nation was showing an actual reduction in waterborne vessel and air trade of -1.4 percent and regional trade fell off by another -2.0 percent.
Notwithstanding the vibrant increase in trade in goods during the last decade, growth in the trade of international services\(^6\) for both the nation and region grew much, much faster (Table 2). What’s more, in the decade between 2002 and 2012, the region increased its competitiveness for trade in international services, capturing an estimated 28.6 percent of the national total and posting a sizable increase over its 18.3 percent share ten years earlier. This competitive surge for the region appears to reflect the increasing role of international travel, an area of great strength for the region as it relates to the import and export of services.

### Table 2

<table>
<thead>
<tr>
<th>Value of Trade in International Services</th>
<th>Far Outpaces Growth Rate in Cargo Trade</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Value of International Trade in Services 2002-2012</strong></td>
<td><strong>(in billions)</strong></td>
</tr>
<tr>
<td>U.S.</td>
<td>NY-NJ Region(^7)</td>
</tr>
<tr>
<td>2012</td>
<td>2002</td>
</tr>
<tr>
<td>$1,092</td>
<td>$520</td>
</tr>
<tr>
<td><strong>Change in Value 2002-2012</strong></td>
<td><strong>Percent Change 2002-2012</strong></td>
</tr>
<tr>
<td>U.S.</td>
<td>NY-NJ</td>
</tr>
<tr>
<td>$572</td>
<td>est. $212</td>
</tr>
</tbody>
</table>

Source: U.S. Bureau of the Census

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\(^6\) Trade in services includes travel, passenger fares, other transportation, royalties and license fees, other private services, transfers under U.S. military contracts, and miscellaneous government services. Source: U.S. Bureau of Economic Analysis.

\(^7\) Total two-way trade in services for the U.S. reached nearly $1.1 trillion in 2012. Statistics on trade in services at the regional level are not available. For purposes here, it is assumed that the NY-NJ metropolitan area captured 20 percent of national two-way trade in travel and associated transportation services in 2002 and 25 percent in 2012 as well as an equivalent of its share (17 percent in 2002 and 15 percent in 2012) of national trade in goods as a proxy for its share of other services. This is likely a conservative estimate given the region’s strength in financial, business, and technical services, though those advantages may be offset by a lower proportion of defense and U.S. government services. The source of information on the values of U.S. trade in services is the U.S. Bureau of Economic Analysis, Balance of Payments Division, U.S. International Trade in Goods and Services. For an analysis of the region’s share of international tourism and travel, see “International Travel and Tourism Exports and the New York Economy” by Anastasia Xenias and Ron Erdmann, prepared for the Weissman Center’s Occasional Paper Series, October 2011, available online.
Another gauge of the region’s competitive prowess in international trade in services is the 62.2 percent rise of international travelers at regional airports between 2002 and 2012 in comparison to the 49.5 percent increase for the nation (Table 3). In 2012, the region captured 26.8 percent of the nation’s international passengers, up from an 18.2 percent share a decade earlier. Its increase in overseas visitors (which excludes travelers from Canada and Mexico) of 109 percent, compared to 42.4 percent for the nation, was even more impressive.

Table 3

| NY-NJ Region’s Growth in International Travel and Overseas Visitors Outpaces U.S. |
|---|---|---|---|
| | Passengers (in millions) | | |
| | U.S. | NY-NJ Region | U.S. | NY-NJ Region |
| | 2012 | 2002 | 2012 | 2002 |
| International Travelers | 158.4 | 105.9 | 37.4 | 23.0 |
| Overseas Visitors | 39.0 | 27.4 | est. 10.5 | est. 5.0 |

<table>
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<tr>
<th>Change 2002-2012 (volume)</th>
<th>Change 2002-2012 (percent)</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S.</td>
<td>NY-NJ Region</td>
</tr>
<tr>
<td>International Travelers</td>
<td>52.4</td>
</tr>
<tr>
<td>Overseas Visitors</td>
<td>11.6</td>
</tr>
</tbody>
</table>

Source: U.S. Bureau of Transportation (http://www.transtats.bts.gov/Data_Elements.aspx?Data=1) and the U.S. Office of Travel and Tourism

The level of regional trade performance demonstrated in the above tables indicates that the extraordinary wealth, cultural assets, business acumen, and talented labor force of the NY-NJ region have enough draw to overcome at least some of the competitive disadvantages inherent in the constraints – to be discussed below – of the region’s international transportation facilities and services. It should be noted, though, that the opportunity costs – the trade foregone – resulting from capacity or quality concerns about the transportation network have not been comprehensively studied. A 2009 study by the Partnership for New York City estimated that the cost of flight delays at regional airports, including the loss of business, cost the regional economy $2.6 billion (for both domestic and international activity) in 2008. In addition, the high costs and uncertainty about the timing of delivery may partially explain why, as shown in Table 4 below, the value of regional trade in goods is growing so much faster than volume, as well as why the volume of air cargo declined so substantially.

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8 U.S. total is based on major 100 U.S. airports.
9 Ibid.
10 For both the nation and the region, the overseas visitation numbers exclude travelers from Canada and Mexico; for the region, the number is estimated by including visitors to New York City and the states of New York, New Jersey, and Connecticut.
The regional international transportation network consists of both “gateway” facilities and “connector” facilities. Gateway facilities are those that engage directly in international trade. The major gateway facilities in the NY-NJ metropolitan area consist of the Port Newark, Elizabeth, New York Container Terminal (Howland Hook), Global Terminals (Port Jersey Marine Terminals), and Red Hook Terminals along with the region’s three major airports: JFK International, Newark Liberty International Airport, and LaGuardia.

Regional “connector” facilities are engaged indirectly in international trade by providing access to and from the above-noted gateway facilities. The most significant of these are: the Garden State Parkway, I-95/New Jersey Turnpike, Route 1 & 9, Route 78, ExpressRail, I-278, the Van Wyck Expressway, the Cross Bronx Expressway, the Grand Central Parkway, the Belt Parkway, and the two AirTrains serving JFK and Newark Airports. The parkways and the AirTrains are important to international travelers engaged in trade in services. The ExpressRail are used for goods movement exclusively. The NJ Turnpike, Route 1 & 9, Route 78, I-278, and the Van Wyck and Cross Bronx Expressways are critical for the movement of both goods and airport travelers. With the exception of the ExpressRail, all access routes to and from the airport and maritime terminals are shared with other sizeable markets: commuters, leisure travelers, and domestic cargo distributors.

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12 A significant amount of trade with Canada and Mexico also occurs by truck on the highway system or by freight rail – which means that they have a gateway role to play as well – but data on the volume and origin and destination of such trade at the regional level is unavailable.

13 The airports, it should be observed, also serve domestic markets. International travel represented 34.6 percent of all air travel at the three airports in 2012. JFK International has a much larger proportion of international travel, 50.9 percent. This compares to 32.9 percent for Newark Airport and 5.6 percent for LaGuardia Airport. Most of LaGuardia’s international traffic is to and from Canada.

14 Truck traffic is prohibited on the Garden State Parkway from Exit 105 north.
While there was a comprehensive study completed on behalf of the Port Authority of NY & NJ by the Regional Plan Association in 2011 on the condition and future needs of the three major regional airports,15 no comparable studies have been conducted on the ports or the connector facilities to the ports and airports. What is known about the competitiveness of the other regional international transportation assets, while no means comprehensive, can be gleaned through various sources; and these suggest cause for unease about the region’s ability to maintain its current edge in trade activity without sufficient investments in nearly all of the affected transportation facilities.

Regional Airports

“Everybody knows that the airports, and the airspace, the capacity’s all been used up.”16

Bob Yaro, president of the Regional Plan Association (2012)

The first official report on the region’s insufficient airport capacity was the Federal Aviation Administration’s 2004 “Capacity Needs in the National Airspace System.”17 In that study, all three of the region’s major airports were identified as needing additional capacity by 2013, even if planned improvements came to fruition. Newark’s and LaGuardia’s need for additional capacity extended to 2020. In 2009, the Partnership for New York City published its study to document the cost of the airports’ congestion problems.18 In January 2011, the Regional Plan Association (RPA) issued its aforementioned study on the demand and performance problems and capacity constraints at the region’s airports, along with a preliminary analysis of the feasibility of alternative solutions at the airside and landside levels. Both those studies sound the alarm about the need to plan for and invest in substantial new improvements to assure that the region can accommodate new levels of demand.

Some of the major delays at the airports, which are shown below, stem from the antiquated nature of the federal air traffic control (ATC) system for the region and much of the nation. Forbes noted that “Without a fresh attitude that identifies ATC modernization as a national priority of fundamental importance, the U.S. will fall behind in an industry that facilitates domestic as well as worldwide commerce and affects our nation’s trade balance.”19

Beyond the above-mentioned studies, several other entities have measured various aspects of airport performance. Beginning at the national level, we find that the NY-NJ regional airports share poor report cards in the global arena along with the rest of the nation’s airports. A 2013 survey by the World Economic Forum ranks the quality of U.S. air transport infrastructure as 30 out of 140,20 notwithstanding how high the U.S. ranks (first) in the number of available airline seat kilometers. A 2013 survey by the Consensus Research Group and the U.S. Travel Association found that 43 percent of overseas visitors to U.S. airports would recommend to others that they avoid air travel to this nation because of the delays and inconveniences encountered during the entry process run by U.S. Customs.21 The surveyors estimated that these operating practices are costing the nation a minimum of $95 billion in economic activity.

15 “Upgrading to World Class: The Future of the New York Region’s Airports” by the Regional Plan Association, January 2011. See inset in this paper for RPA’s major recommendations.
16 “Can an even bigger cross-Hudson rail plan succeed where the last one failed?” Reported online by capitalnewyork.com, June 13, 2012.
17 http://www.faa.gov/airports/resources/publications/reports/media/NASneeds.pdf
18 See “Grounded: The High Cost of Air Traffic Congestion” by the Partnership for New York City, February 2009.
20 The Global Competitiveness Report 2013-2014 (World Economic Forum, Executive Opinion Survey). The airports receiving higher rankings in extensiveness of service and efficiency, in order, are: Singapore, Hong Kong SAR, United Arab Emirates, Netherlands, Switzerland, Panama, Germany, Barbados, Iceland, France, Finland, New Zealand, Norway, Belgium, South Africa, Bahrain, Spain, Qatar, Denmark, Sweden, Czech Republic, United Kingdom, Canada, Malaysia, Malta, Korea Rep., Luxembourg, Puerto Rico, and Australia.
Another global benchmark, the Passenger’s Choice Awards, by Skytrax, listed no U.S. airport among the world’s 35 best in 2013. However, several U.S. airports in that survey, including JFK International, were listed as among the best in North America. In another survey of world airport terminals, posted by Frommer’s in 2012, the JetBlue Airways Terminal at JFK International Airport won high praise for its architectural design and food court. That’s the good news. The same Frommer’s survey ranked JFK’s Airport Terminal 3 as the world’s worst terminal, with LaGuardia’s Terminal 5 and Newark Liberty Airport’s Terminal B ranking as the world’s seventh- and eighth-worst airline terminals.

A 2012 Travel & Leisure survey also identified LaGuardia as the nation’s worst airport, JFK International as the fourth worst, and Newark Liberty Airport as fifth worst. LaGuardia was ranked as having the worst check-in and security process, the worst baggage handling, the worst capability for providing Wi-Fi, the worst staff communication, and the worst design and cleanliness. JFK earned its poor ranking for the extremely long lines for check-in, security, and luggage retrieval, along with its poor location in relation to the traveler’s final destination. Newark’s weaknesses were similar: poor performance for design, cleanliness, baggage handling, check-in and security, and staff communications. Newark did fare much better in rankings for location and convenience.

A 2012 On-Time Arrival.” The Bureau of Transportation Statistics publishes this data monthly, and the region’s airports consistently rank poorly. Newark Airport typically has the worst performance among the nation’s 29 major airports. In fact, Newark is linked to nearly half of the delays in the United States. In August 2013, 43.1 percent of Newark’s plane arrivals were on time. In that month, LaGuardia, also typically ranking near the bottom, ranked even worse, at 73.4 percent. JFK International Airport had the 26th-worst ranking (out of 29), at 74.6 percent.

Regional Maritime Ports

“U.S. container terminals have a good deal of ground to make up if they are to achieve vessel productivity numbers achieved at some terminals in Europe and Asia.”

Journal of Commerce white paper on global port terminal productivity (2013)

For regional and global interests engaged in maritime cargo trade, it is discouraging to note that there is no recent comprehensive information available on the big picture of the condition of the maritime ports. Anecdotally, there are reports that the regional maritime ports are high cost and unfriendly. Certainly it is possible to observe long backups of trucks waiting to load or unload at the ports, suggesting possible on-port capacity issues.

Since this region is home to one of the nation’s largest ports and by far the largest East Coast port, some inference about the quality of this region’s ports may be drawn from a survey of global business executives who were asked to rank nations around the world against international standards of port efficiency. In the most recent of these surveys, conducted by the World Economic Forum, the quality of U.S. port infrastructure ranked 16 out of 140. This is in contrast to an overall competitiveness rating for the U.S. as the fifth most competitive nation in the world. As can also be inferred from the Journal of Commerce white paper quoted above, U.S. ports get very poor marks compared to those of other countries, but many of the port performance issues evaluated in that study have as much, if not more, to do with terminal operating practices as with the physical condition of U.S. maritime infrastructure.

22 http://www.worldairportawards.com/Awards_2013/top100.htm
23 In 2013, the Port Authority of NY & NJ authorized a $255 million modernization to some of LaGuardia Airport’s building and utilities infrastructure.
26 See “P.A.’s chief of aviation: We must do better,” Newark Star Ledger, September 13, 2012, p. 1
28 See “Key Findings on Terminal Productivity Performance Across Ports, Countries and Regions” by the JOC Group, white paper, July 2013, p. 13
29 The Global Competitiveness Report 2013-2014 (World Economic Forum, Executive Opinion Survey). The ports receiving higher rankings, in order, are: Netherlands, Singapore, Hong Kong SAR, United Arab Emirates, Finland, Panama, Belgium, Iceland, Germany, Sweden, Bahrain, Spain, Malta, Denmark, and the United Kingdom.
**Connector Facilities**

Once a unit of cargo or an international passenger is poised to travel to or from one of the region’s gateway facilities, it, he, or she utilizes one or more of the connector facilities that are shared with domestic cargo or passenger markets (e.g., commuters, domestic leisure travelers). The only element of the region’s transportation system that is dedicated exclusively for international trade is ExpressRail serving the major port terminals. This section takes a look at the condition of the connector facilities.

**AirTrains.** Both Newark Liberty and JFK International Airports are served by passenger AirTrains. The Newark system, which is at mid-life, is used by 6 percent of non-Manhattan passengers and nearly 25 percent of Manhattan passengers. It is almost twenty years old, has reached system capacity, is often unreliable, and experiences frequent service disruptions.30 The JFK AirTrain system is newer, having opened in 2003. It is used by 8.4 percent of non-Manhattan passengers and 15.4 percent of Manhattan travelers. There is capacity for more passengers on the JFK system, but the “multi-seat” (need to change trains) ride aspect of the system limits its attractiveness.31 32

**ExpressRail.** As noted before, the region’s only dedicated surface transportation facility built and operated exclusively for international trade is ExpressRail. ExpressRail connects the major port terminals in Newark, Elizabeth, and Staten Island with one or more of the commercial rail lines: CSX and Norfolk Southern. The service was developed to help mitigate growing concerns about the volume of truck traffic on the regional transportation network and is used primarily to move containerized cargo that is traveling at least 400 miles – just under 15 percent of current maritime cargo trade. Because most containerized cargo traveling through the region’s maritime ports is serving closer-in markets, the remaining 85 percent is still moved on to or off the port by truck.33 However, the use of ExpressRail has been growing rapidly. Volumes on the system set a record in 2011, showing a 40 percent increase in containers over 2005, with continued growth in 2012.34 There is still significant capacity on the system should the region successfully attract more cargo to or from more distant locales.

**Class One Freight Railroads:** The Class One Freight Rail system serving the NY-NJ region moves cargo with long-distance origin or destinations, thus sparing truck traffic on regional highways and roadways. The railroads – CSX and Norfolk Southern – have taken the lead in modernization of the rail system.35

**Goethals Bridge.** The Goethals is important to international trade because it is part of a highway that is a major connection between New York City and Newark Airport. The Goethals has been extremely congested and recognized as obsolete for more than three decades. It now appears that the bridge will be replaced.36 Not only will this investment have beneficial implications for travel between the City and Newark Airport; it will also affect the viability of expanding the volume of goods handled at the Howland Hook marine terminal.

**Bayonne Bridge.** The Bayonne Bridge has been identified as an obstacle to the arrival of the much larger post-Panamax ships that are expected to call on regional port facilities once expansion of the Panama Canal is completed in 2015. The deck of the bridge is 64 feet too low for passage of the ships, and plans are underway to raise the deck by the necessary height.37

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30 “Upgrading to World Class: The Future of the New York Region’s Airports” by the Regional Plan Association, January 2011, p. 25.
31 Ibid. Other elements might also be necessary to increase the ridership of the AirTrains, such as easy baggage handling with vehicles, grade changes, platforms, and walkways that are baggage friendly; frequent service that reduces waiting time and the need to consult a schedule; fewer stops between boarding point and airport for a faster trip; and the availability of off-peak service.
32 “Monthly Economic Indicators” by Alexander Heil, Chief Economist of the Port Authority of NY & NJ, July 2012.
33 http://www.panynj.gov/port/monthly-loaded-containers.html
34 The railroads have received money from the Port Authority of NY & NJ, the federal government, and even state governments, but public information about the system’s condition and capacity constraints, if any, are not available.
35 The Port Authority of NY & NJ announced in May 2013 that it has awarded a design-build-finance-maintain contract to NYNJ Link Partnership to replace the Goethals with a new bridge.
36 The Port Authority of NY & NJ announced that it has awarded a contract to Skanska Koch, Inc./Kiewit Infrastructure Co. (JV) to raise the deck of the Bayonne Bridge to allow for necessary navigational clearing.
Van Wyck and Nassau Expressways/Belt and Grand Central Parkways/Cross Bronx Expressway. Whether driving or taking a taxi, limousine, or bus, it is virtually impossible to get to either LaGuardia or JFK International Airports without relying on one or the other of these roadways. Therefore, the quality and capacity of highway ground access to LaGuardia and JFK International Airports are important for air passengers (and in the case of JFK, air cargo alike), although the dominant markets served by these highways are non-airport traffic. Of particular significance are the Van Wyck and Nassau Expressways and the Belt and Grand Central Parkways. Unfortunately, each of these roadways reaches a level of service of “E,” on average, for some portion of the day.38 “E” means that the roadway in question is at capacity, and there are virtually no gaps to maneuver in the traffic. Any disruption to traffic flow, such as a merging ramp, will create a shock wave affecting the upstream traffic and any incident will create serious delays.39 What’s more, the Van Wyck Expressway spends, on average, most of the day at a level of “F” service, meaning that it is in a near-constant state of traffic jam.40 This is of special significance to air cargo coming in or out of JFK as the Van Wyck is the primary truck route, and trucks are prohibited on the Belt and Grand Central Parkways. The Cross Bronx Expressway is another congested route that provides truck access to New Jersey and the port via the turnpike and access to JFK Airport.

Garden State Parkway/NJ Turnpike. The Garden State Parkway is a significant roadway for air passengers to and from Newark Liberty Airport. Trucks are not allowed on the Parkway north of Exit 105, limiting its importance to the NJ maritime port operations. The NJ Turnpike, however, is an especially significant part of highway access for the airport and ports alike, both because there are exits on the turnpike near Newark Airport and the maritime ports and because it provides key access to the more populous counties of the state of New Jersey. Both these facilities are part of a robust highway network that is very crowded in places at certain times of day. A “D” level of service in the northern portion of both these roads is not uncommon. This level of service refers to decreasing free-flow levels. Freedom to maneuver with the traffic stream becomes more limited and minor incidents are likely to create delays. In addition to serving the airport, the Parkway is extremely important for commuter and recreational markets, especially for trips to and from the New Jersey shore. The Turnpike, too, not only serves the airport and the maritime ports but is also (1) a key transportation corridor among major metropolitan areas in the Northeast and (2) very important to the local commuter market.

Interstate Highway 78. Interstate 78 contributes to Newark Airport’s reputation as the most easily accessed of the region’s three major airports, both for passengers traveling by car, taxi, limousine, or bus and for the express carrier services of FedEx, UPS, and Continental Airlines. Route 78, which is a critical connecting artery between northern New Jersey and Manhattan, routinely experiences peak-hour congestion but otherwise experiences good traffic flow.

Routes 1, 9, 21, and 22. The portions of these state roads nearest the NJ maritime ports can be very congested, as they bear the brunt of the truck traffic generated by port activity and serve other robust local markets. However, published level-of-service information on these highways was not available.

38 “Upgrading to World Class: The Future of the New York Region’s Airports” by the Regional Plan Association, January 2011, p. 25.
39 http://www.state.nj.us/transportation/eng/documents/RDM/sec2.shtml#LevelOfService
40 “Upgrading to World Class: The Future of the New York Region’s Airports” by the Regional Plan Association, January 2011, p. 25.
Long-term Forecasts for International Trade and Transportation Assets

Regional Airports. In 2012, the three major regional airports – JFK International, LaGuardia, and Newark Liberty – provided service to 109 million air passengers (domestic and international combined). The Port Authority forecasts that by 2030, air passenger levels will reach 150 million, an increase of more than one-third. Nationally, the Federal Aviation Administration industry is forecasting an even more robust level of growth – nearly a doubling between 2012 and 2020. Although unstated, it is reasonable to assume that both of these forecasts assume that demand will not be constrained by the capacity of airport infrastructure.

Regional Maritime Ports. Current long-term forecasts for cargo activity at the regional ports have not been made public. In its last Strategic Plan (2007), the Port Authority of NY & NJ was forecasting a doubling of cargo between 2006 and 2020 and that forecast proved to be an underestimation as cargo volume actually doubled in 2011, nine years sooner than expected. Though cargo growth at both the national and regional level slowed in 2012 and at least the first nine months of 2013, the Port Authority and the industry are investing as if they expect robust growth in the future. These investments will be discussed in the next section.

Connector Facilities. Long-term forecasting for the connector facilities has either not been undertaken or not published. It can be anticipated that demand for these facilities will grow in proportion to an increase in activity at the gateway facilities in addition to whatever growth is occurring in the other markets that these facilities serve.

Recent and Planned Investment in International Trade and Transportation Assets

Long-term capital investment plans for both the gateway and connecting facilities are highly fluid, rising and falling with the financial position of the investment entity and shifting with changes in business or political priorities. That said, below is what is publicly available at the time of this writing.

Regional Airports

The major investors in regional airports are the Port Authority of NY & NJ, the private sector (primarily terminal operators), and the federal government. Between 2001 and 2010, the Port Authority invested $6 billion in the region’s three major airports. The private sector invested an additional $3.6 billion during the same period. The amount of the federal government’s past investment is unknown.

41 See the Port Authority’s 2012 Annual Report, p. 16.
44 There are challenges to the forecasts for growth in regional forecasts. (See, for example: “Panama Canal’s Growth Prompts U.S. Ports to Expand,” New York Times, August 20, 2012.) Competitor ports are also optimistic that they will capture a growing share of increased cargo and are making substantial investments toward that end. If they are successful, the increase in the region’s international cargo trade may prove overstated. Overinvestment along the East Coast in maritime ports is part of the price paid for the absence of a federal strategic plan for the development of U.S. ports.
45 See “Upgrading to World Class: the Future of the New York Region’s Airports” by the Regional Plan Association, January 2011, p. 39
46 While it is often possible to retrieve data on the federal contribution to specific projects, comprehensive information on federal expenditures on infrastructure within the NY-NJ region is not tallied for public consumption.
As for the future, in its most recently issued preliminary long-term capital plan (2011-2020), the Port Authority included $3.2 billion for airport-related projects – roughly half the level of investment in the previous decade.\(^{47}\) Active Port Authority projects include installing high-speed taxiways as part of runway rehabilitation at Newark Liberty, and the aforementioned improvements to JFK AirTrain.

A comprehensive view of future planned investments in the airports by the private sector for the long term is not available publicly, but Delta Airlines is in the midst of a $1.2 billion expansion of Terminal 4 at JFK International and JetBlue is spending $170 million to expand its Terminal 5 at JFK. In addition, the Port Authority is hoping to attract a private developer to construct and help fund a $3.6 billion renovation of LaGuardia’s Central Terminal.\(^{48}\)

As for modernization of the air traffic control system, the federal government is making some headway with the installation and implementation of NextGen. NextGen represents a transformation of the national air traffic control system from a radar-based system to a much more precise satellite-based air traffic control system. With its implementation, airplanes will be permitted to take off and land with less space and time separating them, thus increasing the number or size of planes that can travel the skies and utilize airports.\(^ {49}\) Although the federal government has begun to install NextGen, many challenges remain before its full potential is realized, including getting the $40 billion needed from the U.S. Congress. There is no public information available on whether U.S. Customs is prepared to address satisfactorily the long wait times at airports for customs and immigration processes.\(^ {50}\)

Presently, there is no comprehensive plan for improving the airports and making them ready to take on an additional 36.7 percent of new customers in less than twenty years. The Regional Plan’s 2011 study was a solid first step (see page 17), and the Port Authority subsequently hired Landrum Brown in September 2011 to conduct a planning study to identify and evaluate options for dealing with forecasted future demand at the Port Authority’s then five airports: JFK International, Newark Liberty International, Stewart International, LaGuardia, and Teterboro Airports. There is no public information available about the status of that study.

### Regional Maritime Ports

Between 2001 and 2010, the Port Authority of NY & NJ invested $2.3 billion in the region’s maritime ports. The private sector (primarily terminal operators) invested an estimated $1.1 billion in regional ports between 2006 and 2011, including a contribution to the development of the new Global Terminals.\(^ {52}\) Over the last ten years, the U.S. Army Corps of Engineers, which has the mission of keeping the nation’s waterways clear for navigation, invested approximately $2 billion to deepen New York Harbor. The deepening is a prerequisite to the waterway’s accommodation of the next generation of larger ships, which were inspired by improvements to the Panama Canal.\(^ {53}\) Looking ahead, the Port Authority’s most recently published preliminary capital plan (2011 to 2020) includes $611 million for port-related projects,\(^ {54}\) such as upgrading the on-port roads – a program that is expected to have major impact toward alleviating on-port traffic jams that have the potential to spill onto other parts of the regional network. The most recent comprehensive estimate of private sector investment estimates $980 million investment in port terminals between 2012 and 2017, and the Corps of Engineers will reportedly spend another $134 million on dredging between 2012 and 2017.\(^ {55}\)

\(^{47}\) See “Phase II Report Presented to The Special Committee of the Board of Commissioners of The Port Authority of New York and New Jersey” by Navigant, September 2012. The Port Authority is reportedly developing a new long-term plan.

\(^{48}\) See the Port Authority’s Annual Report for 2012, p. 16

\(^{49}\) “NextGen” is an umbrella term for transformation of the National Airspace System. It represents an evolution from a ground-based (radar) system to a satellite (GPS) system of air traffic control.

\(^{50}\) http://www.businessinsider.com/13-us-airports-with-longest-customs-lines-2013-7

\(^{51}\) Since then the Port Authority has gained management responsibility for Atlantic City International Airport.


\(^{53}\) In 2006, the Panamanian government announced that it will open up a third lane in the canal, a move that will double the capacity of cargo that can move through the canal by allowing more and larger ships to transit the canal. Construction commenced soon thereafter, and the project is scheduled to be completed within the next two years. The project will allow vessels with a maximum draft of 50 feet and width of 160 feet to be able to pass through the canal.

\(^{54}\) See “Phase II Report Presented to The Special Committee of the Board of Commissioners of The Port Authority of New York and New Jersey” by Navigant, September 2012, p. 6

Without a current comprehensive plan for the maritime network, it is not possible to gauge whether the investments of the recent past or those planned for the future are sufficient to address the capacity and quality needs of the many facets of the maritime ports. In November 2010, the Port Authority commissioned a study by the Regional Plan Association to take a comprehensive look at port capacity and needs, but the results of that effort have not been published.

**Connector Facilities**

There are three noteworthy major projects that will significantly improve the capacity of connector facilities. The first is the Port Authority’s $1.3 billion program to increase navigational clearance of the Bayonne Bridge to make way for the new large ships for which the first contract has been awarded. 56 The second is the Port Authority’s award of a $1.5 billion public-private partnership to replace the Goethals Bridge, providing enhanced travel capacity between New York City and Newark Airport as well as improved viability of growth at the New York Container Terminal. A third major project may be the PATH extension to Newark Liberty Airport. This project is rumored to be included in the Port Authority’s upcoming new long-term capital plan. 57

As the remainder of the connector facilities are managed by multiple institutions that do not also have a role to play in planning and investing in the gateway facilities, it is not possible to gather a comprehensive view of either their past or planned investments in terms of their impact on international trade and transportation needs. To be sure, investments have been made on many of these critical surface transportation facilities, but the money tends to go for maintenance or to address current choke points that provide only incremental improvements to capacity. 58

There has been considerable study of how to tackle the growing number of trucks (including those to and from the maritime ports and airports) on the region’s surface transportation network. 59 The long-term regional transportation plans 60 of the region’s two Municipal Planning Organizations (the North Jersey Transportation Planning Authority and the New York Metropolitan Transportation Council) have elevated regional freight management to a strategic concern, though the policies and investments proposed are not enough to cope with the congestion that will attend if there is a significant increase in truck traffic if port volumes resume rapid rates of growth.

56 The Port Authority of NY & NJ announced that it has awarded a contract to Skanska Koch, Inc./Kiewit Infrastructure Co. (JV) to raise the deck of the Bayonne Bridge to allow for necessary navigational clearing.
57 http://www.craninsnewyork.com/article/20130911/REAL_ESTATE/130919963#
58 The NJ Turnpike, for example, has plans to add three lanes to the NJ Turnpike Extension Exit 14A Toll Plaza to Bayonne to relieve congestion rather than reroute more container port truck traffic to Exit 14B in Jersey City.
59 See, for example, The NYMTC Regional Freight Plan, June 2004 and the New Jersey Comprehensive Statewide Freight Plan, September 2007. In addition, the Port Authority has announced that it soon expects to complete a multimodal Goods Movement Plan in concert with the New Jersey and New York State Departments of Transportation. In addition, the Federal Highway Administration has published a draft National Freight Transportation System that is intended to help states become strategic in directing resources toward improved system performance for efficient movement of freight on the highway portion of the nation’s freight transportation system.
60 See Regional Transportation PLAN 2035 by the North Jersey Transportation Planning Authority, August 2009 and Plan 2040: A Shared Vision for Sustainable Growth NYMTC’s Next Regional Transportation Plan by the New York Metropolitan Transportation Council.
Planning, policy, and investment decisions regarding regional gateway and connector facilities lie within a complex web of public institutions and private corporations. The major players are the federal government, the Port Authority of NY & NJ, New York and New Jersey States and New York City Departments of Transportation, the NJ Turnpike Authority (which also has responsibility for the Garden State Parkway), and the Class I commercial railroads. In addition, to the extent that federal money is passed through to any of the state or regional public agencies, the region’s two municipal planning organizations (MPOs) – the North Jersey Transportation Planning Authority and the New York Metropolitan Transportation Council – have a role. Below is a summary of the mission and roles of these institutions and businesses. Each has slightly differing customer bases or constituencies, contributing to the enormous challenge of forming concrete common goals and coordinating efforts to act in the best interest of the long-term investment needs for the region in general, and for international trade specifically.

**Federal Government**

The mission and responsibility of the federal government as it pertains to gateway facilities is the same for this region as it is for every airport and maritime port in the nation. U.S. Customs and Immigration regulate and monitor the entry of all non-U.S. travelers at airports and all foreign goods at the airports and maritime ports. The U.S. Coast Guard has the mission of keeping the harbors safe. The U.S. Army Corps of Engineers (usually with a local sponsor helping to share costs) keeps the harbors dredged to navigable depths in order to accommodate modern vessels. The Federal Aviation Administration has sole responsibility for directing aircraft in controlled airspace and on the ground. The Federal Highway Administration, and at times other parts of the U.S. Department of Transportation, build and/or help maintain interstate highways and provide seed money for some local surface transportation projects. The ability of these federal agencies to perform well requires both competence and adequate resources. When either is in short supply, this region and others can bear the price of dysfunction.

**Metropolitan Planning Organizations**

The Metropolitan Planning Organizations (MPOs) were created by the Federal-Aid Highway Act of 1962. Federal funding for transportation projects and programs are channeled through the MPOs as a means of ensuring that existing and future expenditures of federal funds are based on a continuing, cooperative, and comprehensive planning process. The MPOs do not have the authority to raise revenues or levy a tax. The planning and funding allocation process, for which federal parameters are established, is governed by elected or appointed officials from local governmental jurisdictions such as municipalities or counties. This group votes on a transportation improvement program (TIP) that is based on a long-range transportation plan (LRTP). Since 1991, MPOs are concerned not just with highways but with funds for different modes and facilities. The federal funds that are allocated through the MPOs can only be spent on projects or programs that are included in the TIP, and these normally require a local share. The TIPs are fairly easy to amend. Both of the NY-NJ regional MPOs – the New York Metropolitan Council and the North Jersey Transportation Authority – have professional staff that undertakes planning studies that may influence the policy decisions made by their voting members.  

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61 Source: Most of this information was gathered from the websites of the two MPOs in operation for the NY-NJ metropolitan area – the New York Metropolitan Transportation Council and the North Jersey Transportation Planning Authority – or the author’s own experience.
The Port Authority of NY & NJ

The Port Authority of NY & NJ is a bi-state authority created by the two state legislatures and authorized by congressional compact in 1921. The agency was originally established to address congestion on the New York Harbor and was bestowed with increasing bi-state legislative authority during the middle of the 20th century to develop, manage, and oversee the region’s maritime ports and airports, along with a variety of other facilities. The agency’s income is nearly exclusively derived from fees, fares, or other charges paid directly by the users of its facilities. It neither collects nor receives funds collected through local, state, or federal taxes (except for the rare federal grant). For purposes of issuing bonds to make its investments in the facilities under its charge, the agency pledges its consolidated earnings, i.e., its total net revenue from all operations, not the net revenue-generating capability of the particular investment being undertaken.

The Port Authority holds long-term leases on land owned by the cities of New York, Newark, and Elizabeth upon which it built the major regional airports and maritime ports. For these facilities, the Port Authority has management responsibility for the layout and design of the site, the on-site roadways and circulation, and on-site security. In the case of the airlines, it is also responsible for runway development and maintenance.

With a few exceptions, the Port Authority sublets the marine and airport terminals to private operators. In the case of the airports, those leases extend to baggage handling, gate space, cargo, retail, restaurant, and parking facilities. As for the exceptions, the Port Authority operates and maintains two major airline terminals: Terminal B at Newark Airport, and the Central Terminal Building at LaGuardia Airport. It also maintains much of the on-airport warehousing space at JFK International Airport.

As seen earlier, the Port Authority invested more than $10 billion in regional gateway facilities in the recent past and may spend another $4 billion in the next ten years. The agency, with a mission to stimulate the regional economy and facilitate the movement of people and goods, makes these investments even when the impact on its own budget may be negative. For example, between 2007 and 2011, the Port Authority lost $28 per container at its maritime ports because its income revenue from tenant rentals was insufficient to offset either its operating costs or its large, recurring capital projects. By contrast, the agency’s aviation operations “netted” a positive $22.46 per passenger for the same period.

The revenue drawn from these few facilities are, in effect, used to cross-subsidize the Port Authority’s other businesses. In addition to its role with regional gateway facilities, the Port Authority owns and/or operates several key connector facilities, specifically: the AirTrains serving Newark Liberty and JFK International Airports, Express Rail serving New Jersey maritime ports, and the Bayonne and Goethals Bridges. It is also contemplating extending the PATH system (which it also owns and operates) to Newark Liberty Airport.

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62 The Port Authority also owns and/or operates Teterboro and Stewart Airports; the Holland and Lincoln Tunnels; the Bayonne, Goethals, and Outerbridge bridges; two bus terminals; PATH; the World Trade Center; and a number of other real estate assets.
63 See “Phase II Report Presented to The Special Committee of the Board of Commissioners of The Port Authority of New York and New Jersey” by Navigant, September 2012.
64 Ibid.
65 Approximately 70 percent of the Port Authority’s revenue from the port is derived from fixed-rate contracts with marine terminal tenants. Relatively little income comes from volume-based components. The agency did institute a cargo facility charge in 2011, at the rate of $4.95 per container, which was expected to generate approximately $30 million in 2012. See “Phase II Report Presented to The Special Committee of the Board of Commissioners of The Port Authority of New York and New Jersey” by Navigant, September 2012, p. 57. An update on the revenue actually generated in 2012 is not available publicly.
66 The Port Authority’s revenue at the airports is derived from leasing terminal and gate space to airlines; leasing cargo, retail, and restaurant facilities; flight fees; parking; utility pass-through and other fees.
67 See The Port Authority’s Annual Report 2011, Schedule E, p. 91.
68 See “Phase II Report Presented to The Special Committee of the Board of Commissioners of The Port Authority of New York and New Jersey” by Navigant, September 2012, p. 64.
69 The Port Authority made an initial investment of $600 million to construct Express Rail.
State and City Departments of Transportation

In New Jersey, the state-owned connector facilities of significance to international travel and trade are the New Jersey Turnpike; the Garden State Parkway; and Routes 1, 9, 21, and 22 (Route 78 is an interstate highway). The Turnpike and Parkway authorities were combined in 2003 under the aegis of the New Jersey Turnpike Authority. Because of the significance of the Turnpike to the maritime port operations, the Port Authority helps on occasion to fund improvements. Routes 1, 9, 21, and 22 are state roads managed and maintained by the NJ Department of Transportation. The department also has stewardship responsibility for Interstate 78, but the majority (as much as 70 percent) of capital investments for its maintenance comes from the federal government.

In New York, the state-owned facilities of significance to international travel and trade are the Van Wyck and Nassau Expressways and the Cross Bronx Expressway. Although the state assumes responsibility for major construction on these roadways, the New York City Department of Transportation has responsibility for their maintenance.

Private Sector

The private sector terminal operators at JFK International Airport include Terminal One Group (a consortium of airlines), Delta, the Schiphol Group (a consortium), JetBlue, British Airways, and American Airlines. At Newark, they include United Airlines and Continental Airlines; and at LaGuardia, Delta and U.S. Airways. Federal Express, UPS, and Continental also operate major cargo facilities at Newark. A host of private sector retailers and other vendors not engaged directly in air travel (such as parking) are also present at the airports.

At the maritime ports, the private sector terminal operators are responsible for developing and maintaining the berths, buildings, and equipment. The major maritime port operators at Port Newark – Elizabeth include Maher Terminals, APM Terminal, and Port Newark Container Terminal. Smaller terminals in the region include Red Hook, the New York Container Terminal, and a new and growing addition: Global Terminals.

The Class One Railroads – CSX and Norfolk Southern – are the only private sector entities with an investment stake in connector facilities. As with the maritime and port terminal operators, these private sector investors are driven by profit. They vary widely in the amount of interest paid to customer service.

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70 The Port Authority also invests in local roadways impacted by the port. For example, in July 2011, the Port Authority authorized a $3.7 million engineering study around Port Street in Newark.

71 The current ongoing costs of developing the Port Newark Container Terminal, which is the region’s first automated container terminal, are shared by The Port Authority of NY & NJ ($1.50 million) and the private sector ($500 million).
The public sector sets the framework for the capacity and efficiency of the region’s gateway facilities. Public sector investments (federal, regional, and state) over the last decade and most likely in the foreseeable future have well outpaced private sector investment in the region’s maritime ports and airports. The supporting ground access facilities are, save for the commercial railroads, the exclusive province of the public sector.

There have been or are in progress a number of investments that will significantly enhance the maritime ports and the Goethals and Bayonne Bridges that are important to port operations. An analysis of whether the planned improvements are sufficient to accommodate longer-term demand is warranted. In addition, considerably more attention and planning are needed to expand the capacity of the ground access network that supports the maritime facilities – even if the ability to fund the needed improvements comes at a time when the funds for investing in surface transportation are diminishing because of state and local budget constraints.

Evaluating and coming to an agreement about the investments needed to reduce delays and expand capacity at regional airports is still in the early stages. Some improvements may face considerable local or environmental opposition, thus requiring extra time to negotiate satisfactory solutions. The identification of sources of revenue to fund a new round of major improvements that are decided upon will also prove challenging, especially since the Port Authority’s capital capacity to invest in the airports appears to be less in the ten years ahead than it was in the prior ten years. Regarding ground access to the airports, it is doubtful that air cargo volumes at the region’s airports, especially at JFK International, will grow substantially unless the congestion at the Van Wyck Expressway and other policies and regulations related to truck traffic are addressed. In addition, improvements in mass transit may be necessary to improve the reliability and speed between the airports and the points of destination and origin within the region.

Failure to acknowledge and tackle the planning and investment gaps identified in this paper will put the vitality of the regional economy at risk. As a result, the region’s competitive stance could be curtailed, new business activity may be increasingly discouraged (both domestic and international), and international and overseas visits to the region may be more limited than underlying demand would support. These are issues of concern to the public agencies that have a mission to stimulate the economy and allow for the ease of flow of people and goods. They are also of concern to the private sector, which has at stake the ability to conduct business profitably, productively, and at reasonable cost.

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72 By the Regional Plan Association’s estimate, the level of unmet demand from delays could result in as many as 21.8 million fewer air travelers into the region annually within 30 years. See “Upgrading to World Class: The Future of the New York Region’s Airports” by the Regional Plan Association, January 2011, p. 56.
**Addendum A – Highlights of Findings from “Upgrading to World Class: The Future of the New York Region’s Airports,” by the Regional Plan Association, January 2011**

For now, the Regional Plan Association’s 2011 study provides the best available information on what it will take to fill the investment gaps at the airports. In summary form, this is RPA’s assessment of the most viable options:73

- The deployment of NextGen by the FAA, which could reduce delays at the airport for the next five to ten years.
- The expanded use by the Port Authority of outlying airports, such as Stewart Airport in upstate New York. RPA estimated that this strategy could accommodate several million passengers by 2030.74
- The upgrade by Amtrak of the Northeast Corridor passenger rail system to higher-speed rail, which could accommodate as many as 4 million air travelers from air to rail travel.
- Demand management of the airports, e.g., banning small-sized aircrafts (under 50 seats) and short flights (under 250 miles), capping over-served markets, employing peak flight pricing to encourage shifts to off-peak times, and auctioning terminal space.
- Expansion of JFK International and Newark Airports with new runway configurations and other major redesigns.75 RPA acknowledges that such expansions will meet with concerns of the local and environmental communities and likely cannot be undertaken without their cooperation.

Although the RPA’s final recommendations do not include proposals for improving ground access (the study concludes that ground access issues will not limit air passenger growth), the study did take a look at the needs and alternative improvements that could be made to the AirTrain systems and highway networks. In the study, RPA encouraged the region’s transportation agencies to do what they can to ease traffic congestion and develop short- and long-term bus and rail transit options to improve access to the three airports.

It also noted that the NY State Department of Transportation is investing around $145 million to improve traffic flow at the Kew Gardens Interchange on the Van Wyck and the construction of a new southbound travel land for the Van Wyck Expressway, to improve the connectivity and Grand Central Parkway. Additionally, the New York City Department of Transportation is beginning to remove several geometric and physical bottlenecks that contribute to accidents or non-recurrent congestion on the Parkway.76 While these improvements are necessary, they address current levels of congestion and do little to increase capacity. This is of special concern to the air cargo customers at JFK International Airport, who – as noted earlier – depend nearly exclusively on the very congested Van Wyck Expressway to move their goods to and from the airport.

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73 See “Upgrading to World Class: The Future of the New York Region’s Airports” by the Regional Plan Association, January 2011, p. 7-10
74 Ibid, p. 8. To integrate Stewart into the regional system, investments will have to be made in transit to reduce travel time between that airport and the major population centers of the NY-NJ region. RPA also noted that, in the long term, Monmouth Airport could be developed to divert as many as 3 million passengers from Newark Airport. The RPA study did not identify Atlantic City International as a viable airport for diverting traffic from the NY-NJ metropolitan area, though that airport is now within the Port Authority’s portfolio.
75 There is very little room for expansion at LaGuardia Airport, unless controversial proposals about extending into the bay are opened for discussion.
76 Ibid, p. 133