April 22, 1946

TO: THE DIRECTORS

We have long term contracts with the City of New York for our use and occupancy of LaGuardia and Idlewild Airports. We have been operating under the LaGuardia lease for years; we spent about a year negotiating the Idlewild lease and that was signed by the City during 1946.

The City of New York, through its Mayor, persuaded the legislature of the State of New York that a New York Airport Authority should be created, to take over the operation and development of LaGuardia and Idlewild, and that such Authority should recognize "valid" contracts theretofore made by the City of New York. We could never get them to say whether or not they recognized our airport contracts, entered into in good faith with the City of New York, as valid or not.

It is evident that we are going to have a scrap on our hands; we endeavoring to preserve our contract position and the Authority endeavoring to substantially raise our charges. It will probably end up in the courts and all of this will delay the completion of Idlewild.

The New York Port Authority, the authority which operates the Holland and other tunnels, and some of the bridges, may take over the operation of Newark Airport. If so, we will have some competition in the business and may be able to secure reasonable treatment from both of the Authorities. It is not definite yet that Newark will make the deal; keep it quiet until that is announced.

In this connection, our future capital requirements include provision for the construction of a large hangar at Newark. We would like to accomplish that this year but probably will not be able to complete it until some time in 1947. This matter has not yet been presented to the Board for approval, on the basis that it cannot now be done. This construction program, however, may prove to be an excellent factor in promoting the general welfare of the whole situation. It may be that we will want, later along, to permit the New York Port Authority to announce that we are going to construct a $1,500,000 hangar at Newark Airport.

I doubt that this will be required before the next meeting of the Board but wanted you to know that this is in the works and will be required and if you should see any publicity about it you will understand the reason and requirement.

C. R. Smith