THE PORT AUTHORITY OF NY & NJ

Comprehensive Annual Financial Report

For The Year Ended
December 31, 1987

The Port Authority in 1987—A Turning Point

In March 1987, the Commissioners of the Port Authority committed this agency to a five-year $5.8 billion capital program.

Why such an unprecedented capital commitment at this time? How is all this money to be spent? Where is it to come from?

For answers, we must consider the 17-county metropolitan region—its past and its present, as well as its promising future . . .

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For the third consecutive year, the Port Authority of New York and New Jersey was awarded the Certificate of Achievement for Excellence in Financial Reporting by the Government Finance Officers Association of the United States and Canada for its 1986 Comprehensive Annual Financial Report.

Honorable Mario M. Cuomo, Governor
State of New York

Honorable Thomas H. Kean, Governor
State of New Jersey

Your Excellencies:

Honorable Mario M. Cuomo
Governor, State of New York

Honorable Thomas H. Kean
Governor, State of New Jersey

We are pleased to submit to you and to the New York and New Jersey Legislatures the 1987 Annual Report of The Port Authority of New York and New Jersey, in accordance with the Port Compact of 1921.

The year was marked by a record-breaking amount of capital investment in Port Authority facilities—$671 million—setting the pace for progress on the ambitious $5.8 billion list of improvements and new services approved by you in the agency's first Five-Year Capital Program (1987-1991).

Signs of our capital at work were visible throughout the Port District in 1987. Our newest aviation facility, the Downtown Manhattan Heliport, opened for business, and construction began on the $205 million PATH car shop in Harrison, New Jersey. The PATH rebuilding program turned another major corner when all 95 new cars and more than two-thirds of the 247 cars being rehabilitated were delivered, with the remainder due in mid-1988. New air cargo facilities were either completed or under construction at all three airports, while Kennedy International saw field work begun on two buildings and completion of a third. The Port Authority made its first contribution to the federal dredging program for work necessary to accommodate the new generation of jumbo containerships in the New York-New Jersey harbor. The tiled ceiling in the south tube of the Holland Tunnel was completely replaced, and similar work began in the north tube. Site preparation began for the Essex County resource recovery facility in Newark and for an auto marine terminal at the Port Jersey/Greenville area on the Jersey City-Bayonne waterfront. Construction of the Newark Legal and Communications Center continued with occupancy scheduled for 1989, and the Fishport in Brooklyn held its first fish auction in December.

Throughout a year that saw unprecedented building and rebuilding, the men and women of the Port Authority continued to meet the day-to-day challenge of heavy demand for our facilities and services, a demand driven by a regional economy that remained healthy and growing despite the stock market plunge in October. International air travel made a comeback in 1987, following its 1986 decline. Traffic increased on the Staten Island Bridges and on PATH. The Hudson River crossings saw a slight drop in overall traffic, but remained at or near capacity during the peak periods. Port tonnage remained substantial in spite of stiff competition from other United States ports and dramatic changes in the shipping industry. And the World Trade Center complex attracted record millions of visitors.

As we look to 1988 and beyond, the Five-Year Capital Plan and its underlying policy and planning imperatives, developed with your leadership, provide a blueprint for Port Authority action that is well under way.

Sincerely,

April 14, 1988

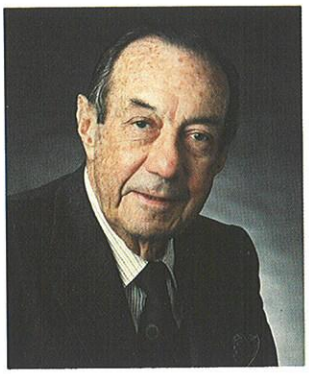
Philip D. Kaltenbacher
Chairman

Robert F. Wagner
Vice Chairman

Board of Commissioners

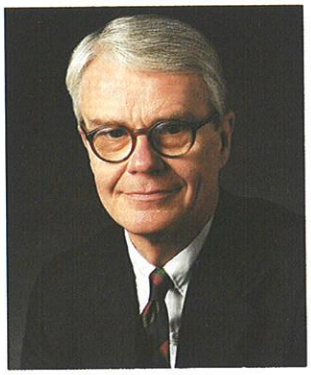
Philip D. Kaltenbacher, Chairman
Robert F. Wagner, Vice Chairman
Jerry Fitzgerald English
James G. Hellmuth
Henry F. Henderson, Jr.
William K. Hutchison
H. Carl McCall
John G. McGoldrick
William J. Ronan
Howard Schulman
Robert Van Buren
Robert V. Van Fossan

Philip D. Kaltenbacher
Chairman and Chief Executive Officer
Seton Company



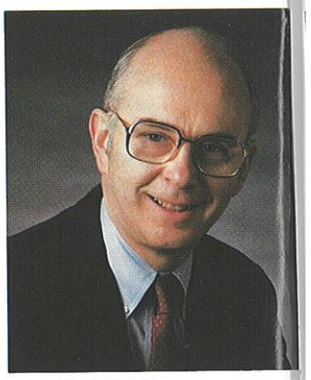
Robert F. Wagner
The Home Group

Jerry Fitzgerald English, Esq.
Partner
Kerby, Cooper, English, Schaul & Garvi

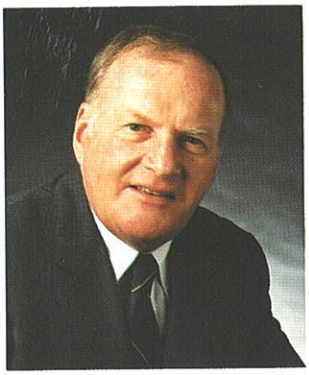


William K. Hutchison
Partner
Christenson and Montgomery

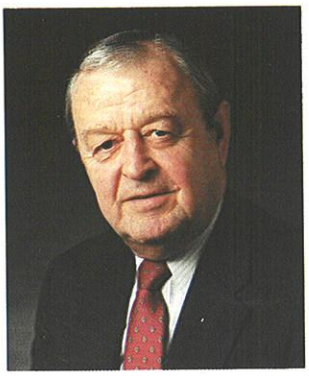
H. Carl McCall
Vice President
Citibank, N.A.



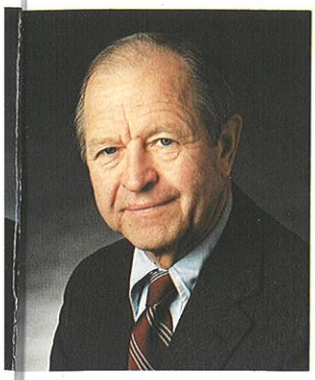
John G. McGoldrick
Attorney
Schulte Roth & Zabel



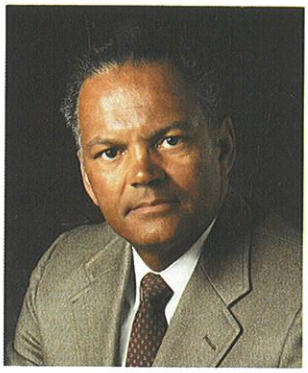
Robert Van Buren
Chairman of the Board and
Chief Executive Officer
Midlantic National Bank



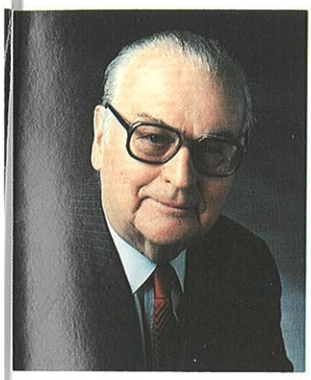
Robert V. Van Fossan
Chairman and Chief Executive Officer
Mutual Benefit Life Insurance Company



James G. Hellmuth
Vice President
Bankers Trust New York Corporation

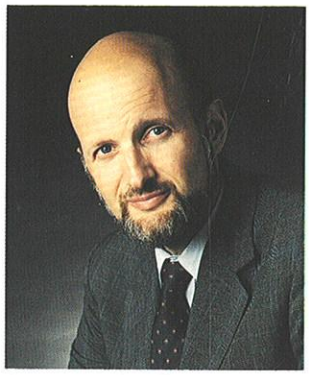


Henry F. Henderson, Jr.
President
H. F. Henderson Industries



Dr. William J. Ronan
CCX, Inc.

Howard Schulman
Attorney



Stephen Berger
Executive Director

Origins of the Port Authority of New York and New Jersey

On April 30, 1921, as the first of its kind in the Western Hemisphere, the New York-New Jersey Port Authority came into being. It was also the first interstate agency ever created under that clause of the Constitution permitting compacts between states with Congressional consent.

The new agency's area of jurisdiction was called the "Port District," a 17-county bistate region within a 25-mile radius of the Statue of Liberty.

The mandate of the agency was to promote and protect the commerce of the bistate port and to undertake port and regional improvements not likely to be invested in by private enterprise nor to be attempted by either state alone—a modern wharfage for the harbor the two states share, tunnel and bridge connections between the states and, in general, trade and transportation projects to promote the region.

Governance of the Port Authority

The governor of each state appoints six commissioners to the agency's Board of Commissioners, each appointment subject to the approval of the state senate.

The governors retain the right to veto the actions of the commissioners. The Port Authority may proceed only with those projects the two states authorize.

The twelve commissioners serve as public officials without remuneration.

The Board of Commissioners appoints an executive director to effect its policies. The executive director manages day-to-day operations through the Aviation, Port, Rail Transportation, Tunnels-Bridges-Terminals and World Trade/Economic Development line departments and staff departments such as Engineering.

THE PORT AUTHORITY OF NY & NJ

One World Trade Center
New York, N.Y. 10048

Stephen Berger
Executive Director

Letter from the Executive Director

The New York-New Jersey metropolitan region completed its eleventh consecutive year of economic growth in 1987, matching or outpacing by most measures an expanding national economy. The Port Authority Annual Report for this year depicts an agency focusing its energies on three major objectives vital to the region's future economic prospects:

- Sustaining and improving the level of service at our surface transportation, aviation, and port complexes, where increased volumes and changing business conditions generally are testing the limits of facilities designed a generation or more ago;
- Carrying out a massive $5.8 billion capital investment strategy to modernize and expand the capacity of vital transportation services without disrupting their daily operations;
- Inducing further economic growth through targeted investments in urban commercial development, telecommunications, and international trade services.

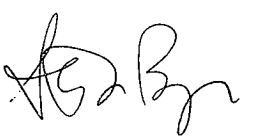
This is a bistate effort—not simply because we have by statute certain obligations on each side of the Hudson, but because the area we serve is truly one economic region. The facilities we operate and the services we provide help knit the region together. Our program is thus in many ways a reaffirmation of the commitment made when this Authority was created in 1921—to benefit the New York and New Jersey economy by providing the "terminal, transportation and other facilities of commerce" needed by residents and businesses in the region, and by transcending the political boundaries that artificially divide the two states.

The program presented in this report will demand of our agency the most effective use of resources and the highest levels of performance. It will continue to challenge the professionalism and ingenuity of the men and women at the Authority who are bringing these plans to fruition.

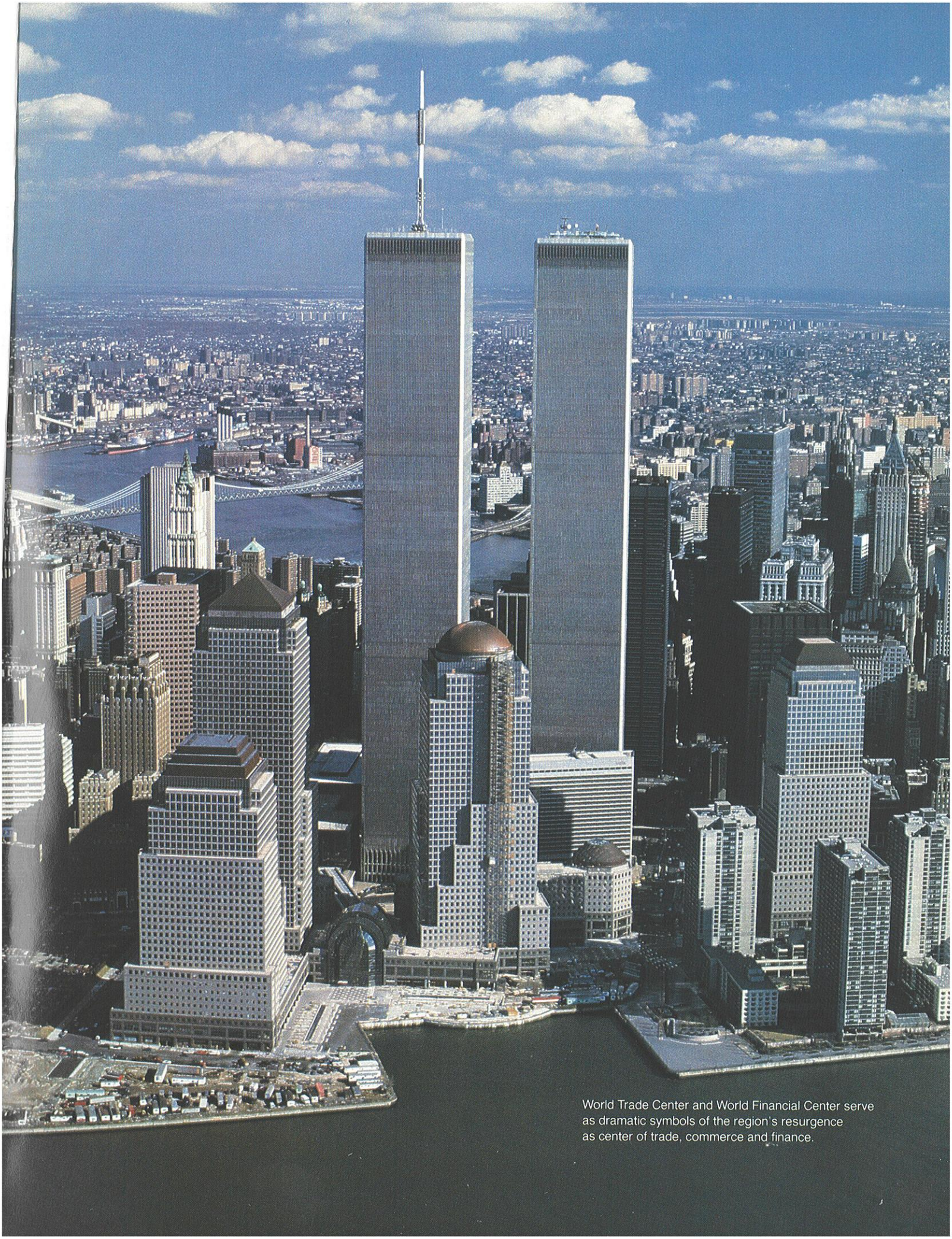
The complex and far-reaching projects we are undertaking will extend through this decade and into the next. They will require the kind of long-range planning that was defined by the two states in 1921 as central to the Port Authority's mission. And they will require, as well, the ability to balance revenues with operating and capital requirements, and the first-rate professional and managerial resources that represent the true hallmark of a public authority.

While we are energized and buoyed by this challenge, we must remember we are also part of a broader network of regional economic activity, bringing us together with the states, cities and private enterprise, all of whom have a common goal: to maintain the region's preeminence in trade, commerce, finance, and the manufacture of ideas as well as goods.

April 14, 1988



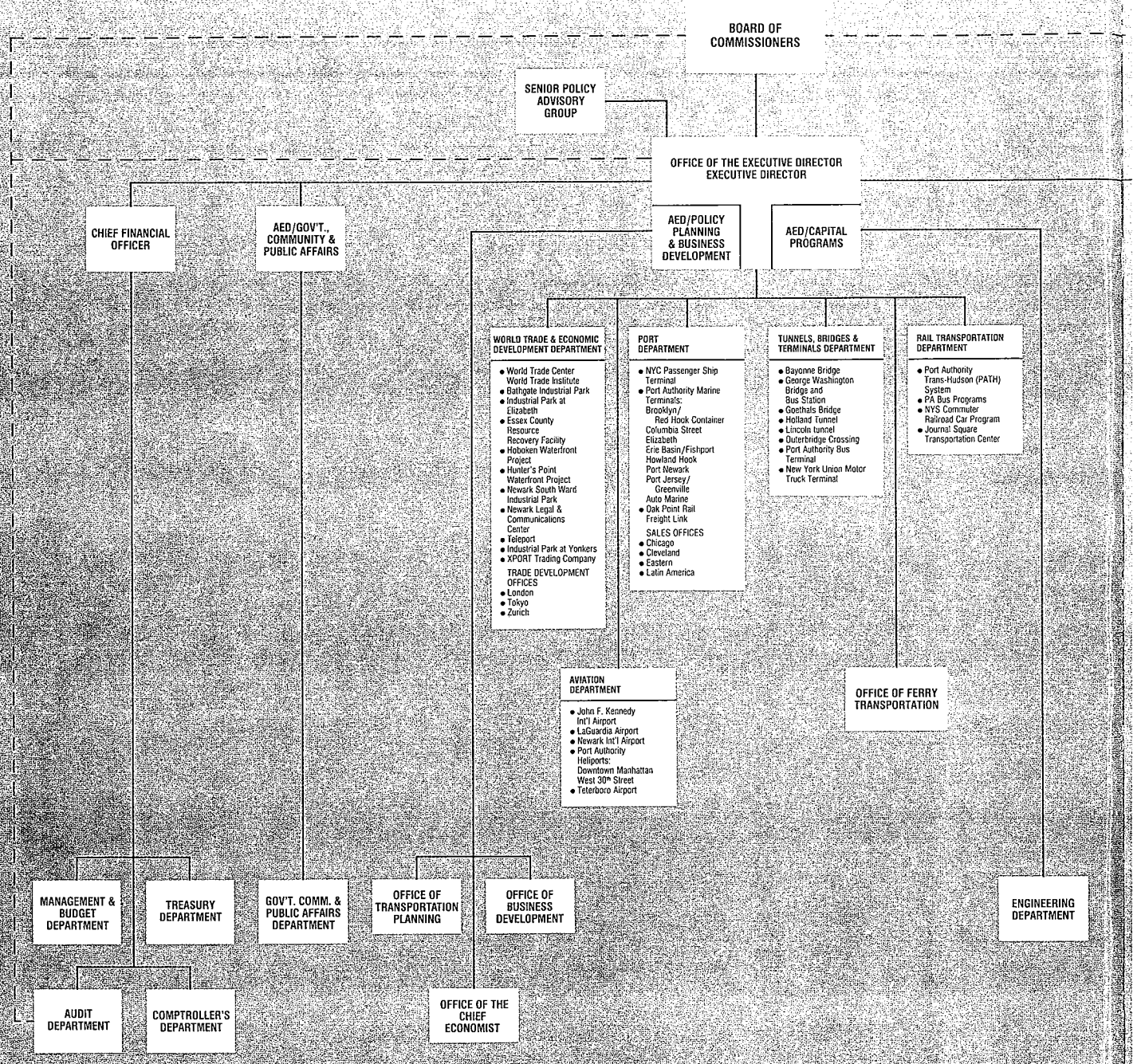
Stephen Berger
Executive Director

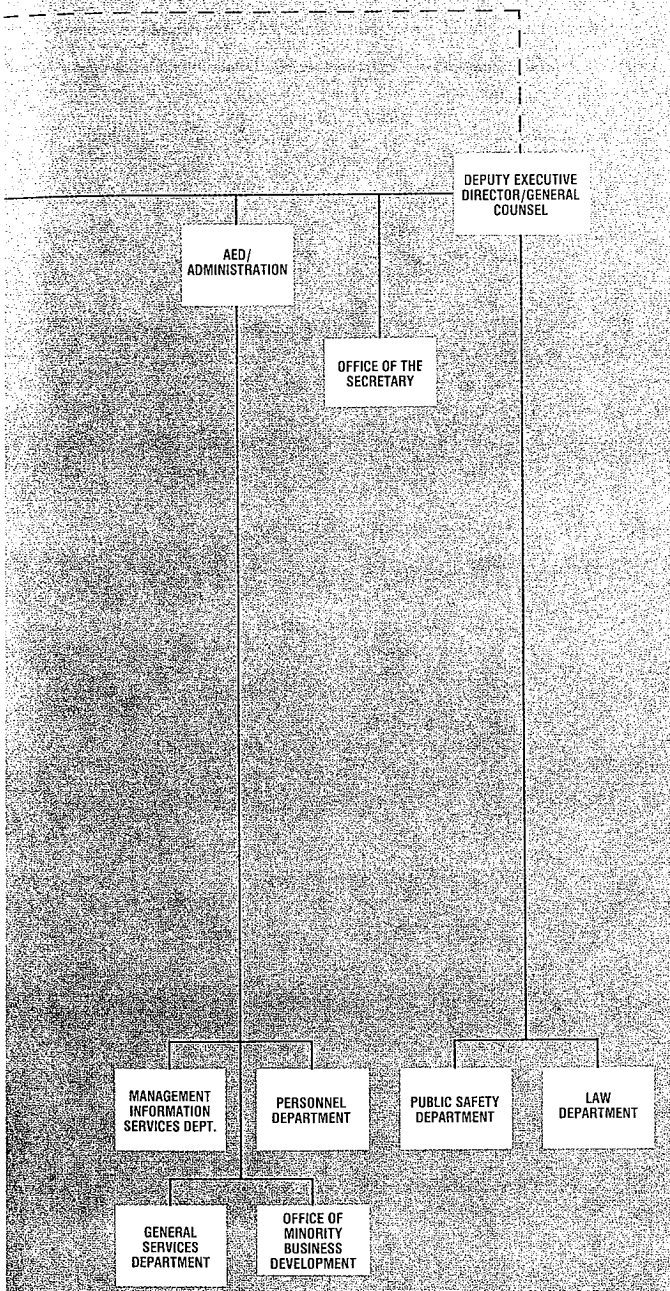


World Trade Center and World Financial Center serve as dramatic symbols of the region's resurgence as center of trade, commerce and finance.

THE PORT AUTHORITY OF NY & NJ

ORGANIZATION CHART





Officers and Directors

Stephen Berger, Executive Director

Patrick J. Falvey, General Counsel and Deputy Executive Director

Sidney J. Frigand, Assistant Executive Director/ Government, Community and Public Affairs

Louis J. Gambaccini, Assistant Executive Director/ Trans-Hudson Transportation[1]

Katy MacKay, Assistant Executive Director/ Administration

Hugh O'Neill, Assistant Executive Director/ Policy Planning and Business Development

Joseph L. Vanacore, Assistant Executive Director/ Capital Programs

Barry Weintrob, Chief Financial Officer

Robert J. Aaronson, Aviation

Anthony Barber, Tunnels, Bridges & Terminals

Gene C. Gill, General Services

Francis A. Gorman, Comptroller

John E. Haupert, Treasurer

Richard R. Kelly, Rail Transportation

James J. Kirk, Port

Doris E. Landre, Secretary

Phil LaRocco, World Trade & Economic Development

Donald R. Lee, Audit

Lillian C. Liburdi, Management & Budget

Emily Lloyd, Office of Business Development

Charles J. Maikish, Office of Ferry Transportation

Rino M. Monti, Engineering and Chief Engineer

Edward J. O'Malley, Personnel

James J. O'Malley, Management Information Services

Richard Roberts, Office of Transportation Planning[2]

Rosemary Scanlon, Office of The Chief Economist

Victor T. Strom, Public Safety[3]

Marvin Weiss, Office of Minority Business Development[4]

[1] Louis J. Gambaccini retired February 26, 1988.

[2] Martin E. Robins began a one-year mobility assignment with New York's Metropolitan Transportation Authority on January 18, 1988.

[3] Victor T. Strom retired March 31, 1988.

[4] Marvin Weiss retired April 2, 1988.

THE PORT AUTHORITY IN 1987—A TURNING POINT

In March 1987, the Commissioners of the Port Authority of New York and New Jersey committed this agency to a five-year $5.8 billion capital program.

Why such an unprecedented five-year commitment at this time? How is all this money to be spent? Where is it to come from?

For answers, we must consider the 17-county metropolitan region—its past and its present, as well as its promising future.

1987 was a watershed year for the Port Authority—a year that saw the agency make a consummate commitment of its resources to the region it serves, a region that has experienced a most remarkable decade.

The Governors of New Jersey and New York, recognizing that the time for such a massive commitment had come, approved the Port Authority's five-year $5.8 billion capital program in March. And the agency moved forward to implement that program. At the same time, the Port Authority made substantial advances to improve service to its tenants and patrons and the travelers and businesses using its facilities. Important safety improvements were accomplished during the year, and solid gains also were achieved in cost containment and increased productivity.

Total Port Authority net capital expenditures in 1987 amounted to $671 million, a record sum for any single year. With this sum, the agency completed many projects already under way at the beginning of the year and began many others included in the capital program.

At year's end, designs were off the drawing boards; there were shovels in the ground and bulldozers on the move.

Why Such a Commitment at This Time?

To understand the timing and the magnitude of this commitment, one needs to consider what has happened in the region during the past decade. In that time, the New York-New Jersey region has moved from fiscal crises and critical unemployment levels to relative economic boom, with over 1.3 million new jobs created since 1976 in the 17-county metropolitan area. The regional unemployment rate, at 4.6 percent for 1987, is now at its lowest point in more than a decade.

Urban development projects have begun to transform the waterfront on both sides of the Hudson River, while new industrial parks are beginning to brighten sections of the inner cities. Commercial complexes are growing in the suburbs as well as in Manhattan, and there are new concentrations of residential development in both states. Increasingly, and importantly, there is evidence of economic integration of the entire region—a unifying movement that is effectively broadening the labor, land and market base of private-sector economy throughout the bistate metropolitan area.

In fact, the region as a whole has strengthened its position as corporate headquarters, as world financial capital, and as an incubator of growth in many business sectors. Overall, despite the stock market plunge in October 1987, most indicators point to a possibly slower but nevertheless continuing economic growth through the last of the '80s and into the '90s.

During the critical recovery years, the Port Authority, with the encouragement of the two states, broadened its mission to include playing an active role in stimulating regional renewal and redevelopment. Since 1978, the agency has committed hundreds of millions of dollars to projects that would help rekindle commercial development, renew aging infrastructure and attract new industry to the region.

Today, however, the Port Authority faces new challenges that can be met only by new large-scale commitments. The region's mounting prosperity and its shifting commutation patterns have stretched this agency's basic transportation and trade facilities to their limits.

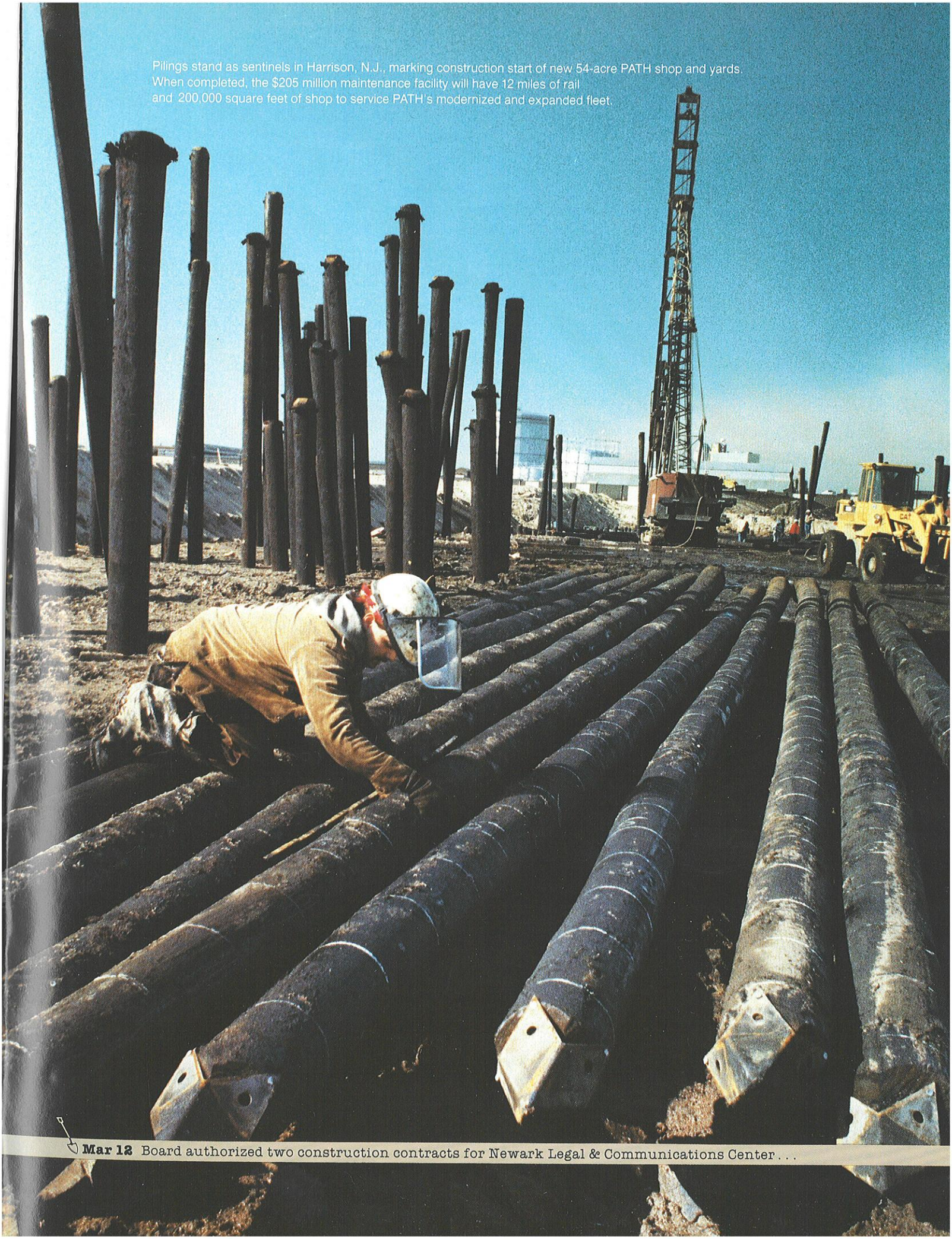
Near-record numbers of vehicles are now using the Authority's interstate tunnels and bridges. Most of its public transit facilities operate at capacity during commuter hours. Record numbers of air travelers are pouring through its regional airport system and new air cargo tonnage highs are being set. And although 1987's oceanborne cargo tonnage figures for this port were below those of 1986, the demand for new, specialized facilities such as automobile processing centers remained strong.

At the same time, other regions are making aggressive efforts to capture this area's preeminent share of the nation's commercial and transportation activity, including two of the region's lifeline industries—aviation and shipping—for which the Port Authority has unique responsibility. These two basic industries together produce six and a half percent of the gross regional product, some $33 billion worth of economic activity and employment for some half-million people.

Clearly, this region cannot afford to lose such basic business by default. Nor can it afford congested interstate transportation facilities that could eventually hamper growth by constricting the flow of people and goods between the two interdependent halves of the metropolitan area.

Thus the challenges to the Port Authority today, and therefore the singular commitment of agency resources to meet today's and tomorrow's regional needs. The Port Authority must continue to fulfill its commitment to regional economic development; and, at the same time, it must focus new energies and resources on expanding and upgrading its essential trade and transportation facilities—the bistate vehicular and passenger crossings, marine facilities, and its three regional airports—to prepare them for the demands to come.

Jan 28 Dedication of newly renovated PA Tech Center to house much of the agency's technical staff . . .



Pilings stand as sentinels in Harrison, N.J., marking construction start of new 54-acre PATH shop and yards. When completed, the $205 million maintenance facility will have 12 miles of rail and 200,000 square feet of shop to service PATH's modernized and expanded fleet.

Mar 12 Board authorized two construction contracts for Newark Legal & Communications Center . . .

Maher Terminals, Inc., major terminal operator at Elizabeth-PA Marine Terminal, puts its giant container cranes to good use in handling cargo from around the world.

And thus the Governors' approval of the Port Authority's $5.8 billion capital investment program covering both the agency's outstanding commitments and programs and the major new capital and service improvements to its core trade and transportation facilities over the next five years. It is expected that some $4 billion of that overall investment will be paid out by the end of 1991, with the remainder spent within the next several years. In addition, further expenditures will need to be made on some projects not due for completion until the mid-1990s or beyond; and new commitments will be added year-by-year as new investment needs and new growth opportunities emerge.

How Is All This Money To Be Spent?

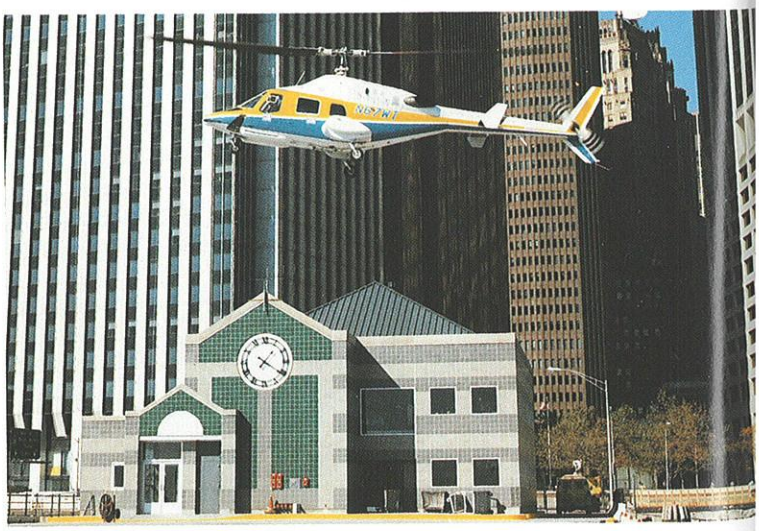
The Port Authority's $5.8 billion will be invested in programs and projects within the agency's major areas of responsibility to the region. Capital plan project and program categories include renovations, modernizations, expansions and new development in the bistate agency's airports, tunnels, bridges, terminals and industrial parks, as well as promotion of regional economic development and port commerce.

Where Does the Capital Program Money Come From?

Unlike many other authorities and governmental agencies, the Port Authority, by law, must be self-supporting. It has neither the power to tax nor the right to pledge the credit of either state in support of its general obligations.

The Port Authority pays its own way for operations and capital investment, pooling revenues earned from its facilities through rents, fees, fares, tolls and other user charges. It finances new construction, major improvements and repairs by selling its bonds and other obligations.

Consistent with its financial charter, the agency expects to raise the revenues necessary to support the financing of



The clock on the face of the PA's new Downtown Heliport says it's time for helicopter pilots like this one to size up the ultra-modern heliport on the East River which was dedicated in October 1987.

Apr 4 Ceiling replacement and other major construction completed in Holland Tunnel eastbound tube . . .

this program through increased charges spread equitably among its major business areas. These include rents from tenants and fees charged to users of Port Authority facilities, including the increases in bridge and tunnel tolls and PATH fares adopted in 1987. The toll and fare increases are critically important to the agency's revenue equation, since the heavily used network of interstate transportation facilities had been running in the red for several years, drawing subsidies from the pooled revenues of all Port Authority facilities.

The new toll and fare schedules are bringing revenues on the interstate transportation system to a level that better approaches its operating and maintenance costs and capital renewal requirements. This, of course, has strengthened the agency's base of pooled revenues during this critical period of rebuilding and expansion for the aviation, port and economic development complexes, as well as the interstate trans-Hudson network.

What About Financial Initiatives in 1987? Cost Control? Productivity Measures?

The Port Authority in 1987 reduced expenses and increased revenues in many areas of agency business through a combination of cost containment efforts and innovative financial initiatives. Although several 1987 initiatives added up to millions of dollars of cost savings and increased revenues, the impact of many of these initiatives will be even greater in 1988 and in subsequent years.

In terms of long-lasting impact, the upgrading by Standard and Poor's from A+ to AA- on the Port Authority's Consolidated Bonds ranks as a major 1987 accomplishment. In light of the fact that the agency has embarked on a borrowing program that will double its outstanding debt in order to finance its capital program, the bond upgrading was particularly timely: it heightens the bonds' appeal to a larger pool of investors, while it tends to lower interest rates the agency must pay. Because of the long-term profile of these debt instruments—35 years—and the size of the intended financings, even a modest reduction in interest rates has profound cost-saving implications.

Costs were reduced during the year in two areas—borrowing and insurance—through the successful use of several techniques. Present value savings of $23 million were realized from the refunding of the $100,000,000 Consolidated Bonds, Forty-ninth Series, Due 2017. In addition, the innovative use of financial futures contracts to hedge against rising interest rates resulted in savings of another $2.8 million.

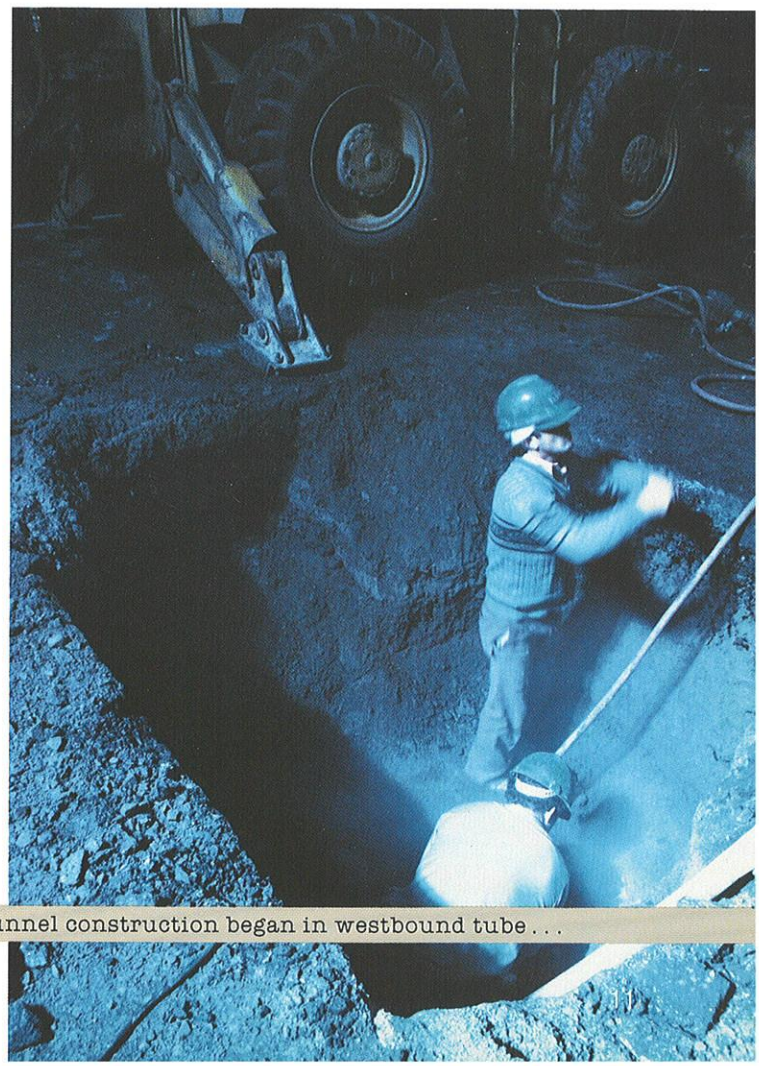
A 19.5 percent reduction of the agency's annual public liability insurance premiums, expected to save $1.4 million a year, was the result of a 1987 renegotiation of that insurance program. Also during the year, the agency instituted an owner-controlled insurance program for liability and workers' compensation insurance for both construction and maintenance service contractors. Because insurance costs for contractors run high, the new policy should not only lower contract costs, but will allow some smaller and minority contractors (who cannot always obtain the required insurance) a chance to bid on Authority projects that would otherwise be out of their reach.

Cost containment in the area of managing the agency's human resources was effected during the year through initiatives that include zero growth in the number of permanent authorized staff positions despite record capital spending and the opening of two new facilities: Fishport and the Port Authority Downtown Manhattan Heliport. This was, and will continue to be, achieved through redeployment of existing staff—moving people from lower-priority tasks to high-priority assignments directly related to the capital program and facility operations.

Other agency-wide initiatives include strict new controls on overtime (a 10 percent reduction in 1987), a strengthening of absence control measures, and use of teams at some facilities that are improving productivity by finding ways to work "smarter." The agency has also developed a new management compensation policy that would control the growth of salaries, while maintaining its ability to attract and retain the best talent to carry out its capital plan commitments.

In each of the agency's major business areas, productivity measures bore fruit in 1987, maximizing net revenues while improving service to patrons.

Night and day, workmen do repairs at George Washington Bridge, like this one at westbound portal of roadway in the N.J. Palisades.



Apr. 13 Installation of ceiling and other major Holland Tunnel construction began in westbound tube . . .

1987 Port Authority Activities In Retrospect
AVIATION: BUILDING FOR TOMORROW; MEETING THE CHALLENGES OF TODAY

Estimated air passenger volumes for 1987 showed substantial gains at both JFK International and LaGuardia airports, compensating for the decline at Newark International of about 20 percent, due largely to the loss of People Express patronage early in the year. Passenger counts at each of the New York airports increased roughly 10 percent, while the number of international travelers at JFKIA rose by an extraordinary 14 percent.

Air cargo volumes for the year totalled roughly 8 percent above those in 1986. Of the 1987 total, 926,000 tons represent a record high year for international airborne cargo, an increase of approximately five percent over 1986.

Service Improvements

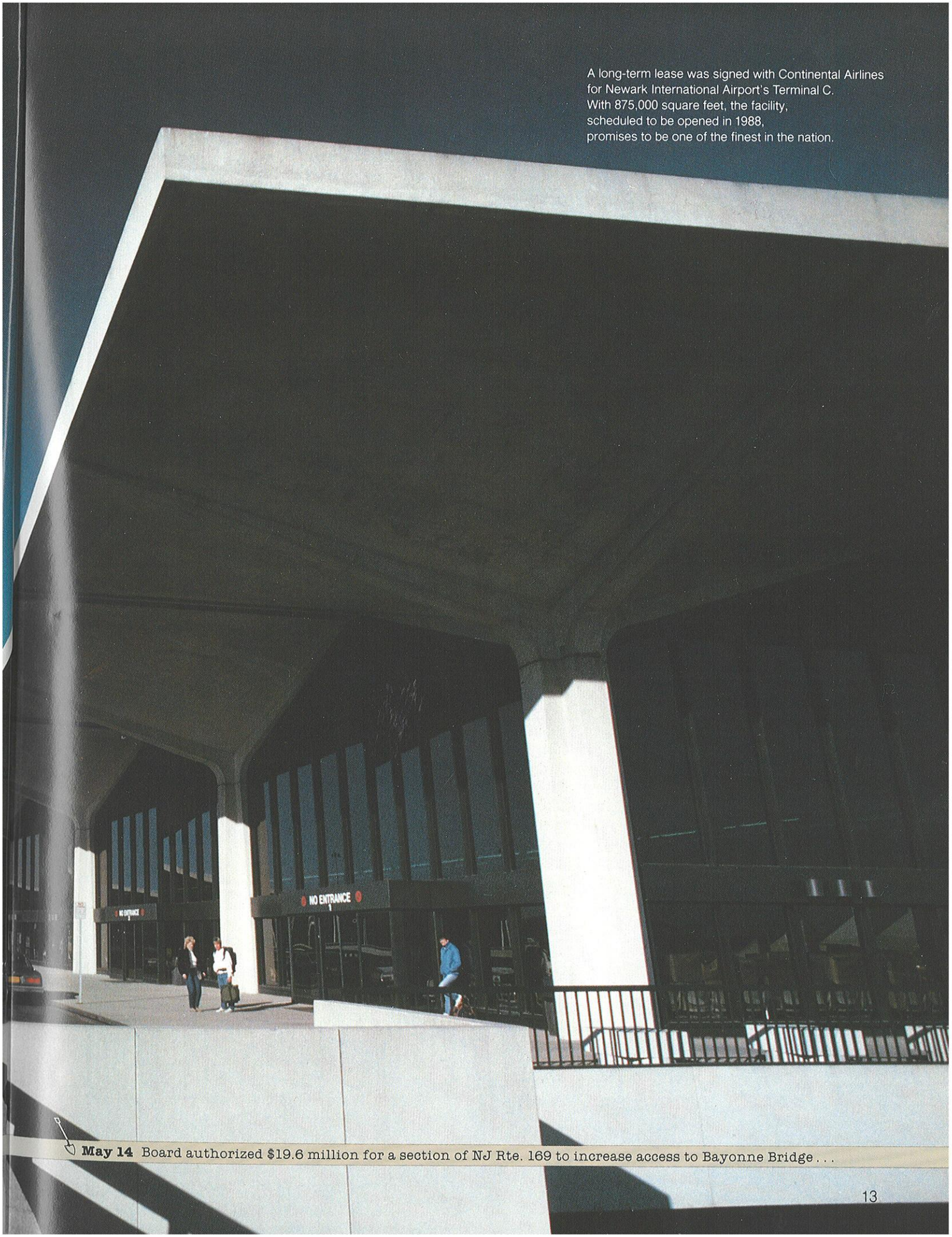
- The average time for an international passenger to clear immigration services at JFK's International Arrivals Building (IAB) last summer was reduced 27 percent over the summer of '86, despite the increase in passenger volume. Expanded capacity in the Immigration Halls, one facet of the Port Authority's extensive IAB renovation program, was a major factor in the improvement, as was the availability of new space for the U.S. Immigration & Naturalization Service, complete with on-line computer operation.
- The inauguration of a luggage cart rental service, also at the IAB, was an immediate success with air travelers, who, for the first time, could find and rent carts in many locations throughout the central terminal area. One airline adopted the service at its own terminal and several more, at year's end, were preparing to follow suit.
- Early in the year, a comprehensive appraisal of airport food offerings was completed. As a result, the quality of food products was upgraded and price reductions were put into effect at the food counters of Port Authority-operated terminals at all three airports to ensure affordable basic fare for all patrons. Other improvements such as renovated restaurants and revised menus were in the planning stages.
- The agency made substantial progress during the year in protecting airport neighbors from noise. In mid-fall, construction of a $2.7 million, 20-foot-high noise abatement wall began on the west side of LaGuardia Airport. The half-mile-long wall, due for completion in 1988, will halve the noise levels now heard in the adjoining neighborhood.
- At all three airports, the Port Authority continued its school soundproofing program, adding new schools to its agenda, bringing the total program count to 21. During the year soundproofing was completed on eight schools and begun on seven more. The program, a joint undertaking of the Federal Aviation Administration and the Port Authority, works directly with local government and school officials in the selection of schools.

Construction Progress

During the year the agency invested more than $245 million in capital improvements in the regional airport/heliport system. Although a large proportion of this investment went into long-term projects, a substantial amount covered work completed during 1987.

- Leading the list of major construction projects completed was the renovated, fully equipped, $13 million Downtown Manhattan Heliport on the East River. At year's end, more than 90,000 pounds of checks, securities and other financial documents were passing through the heliport every month on their way to and from Wall Street and the three airports.
- At Newark International, work neared completion by year's end on the finishes for the two-story, 875,000-square-foot Terminal C, due to open in 1988. With the signing of a 25-year lease in August, Continental Airlines will be the facility's major tenant. Terminal C is slated to handle all the airport's international passenger arrivals as well as some departures.

May 14 Board approved lease agreement with a major exporter of construction equipment . . .



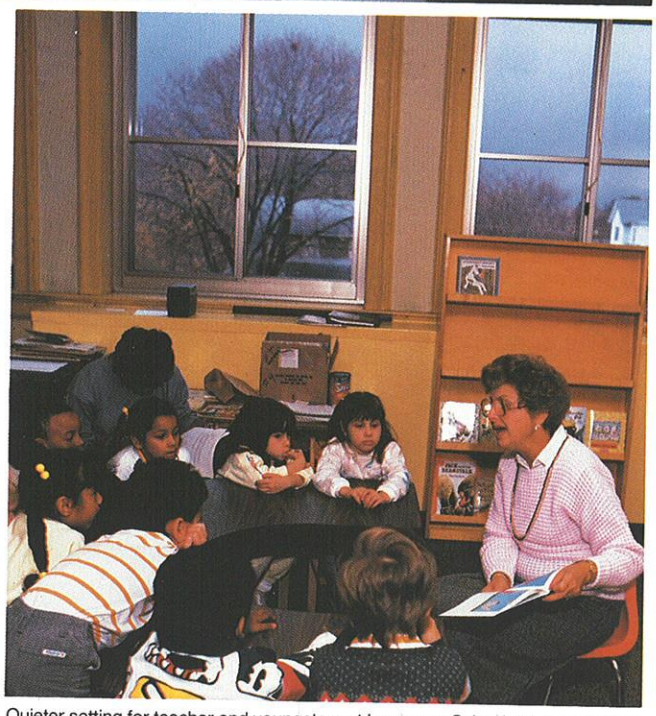
A long-term lease was signed with Continental Airlines for Newark International Airport's Terminal C. With 875,000 square feet, the facility, scheduled to be opened in 1988, promises to be one of the finest in the nation.

May 14 Board authorized $19.6 million for a section of NJ Rte. 169 to increase access to Bayonne Bridge . . .

Close to 79 million passengers and 1.5 million tons of cargo passed through the metropolitan region's three major airports in 1987. At the New York-New Jersey airports, cargo operations never stop. Routine chores such as transfers between carriers, pick up and delivery, special packing and interim care are all provided 24 hours a day, while specially designed equipment can handle any aircraft or cargo. Shown here is a cargo operation at JFK Int'l in Queens, N.Y.

● 1987 saw the award of two more major contracts for design, engineering and construction management of JFK 2000 as part of the significant progress made on this capital redevelopment program for the airport. A joint venture of Tippetts-Abbett-McCarthy-Stratton (TAMS) and STV/ Seelye Stevenson Value & Knecht (SSVK) was selected to serve as the program's design architect/engineer, and a joint venture of Bechtel Civil, Inc. and Tishman Construction Corporation was chosen to serve as the construction management firm. Other major firms selected to provide professional services for JFK 2000 are: I.M. Pei and Partners — program architect; and O'Brien-Kreitzberg and Associates, Inc. — program manager. The Port Authority's Engineering Department is acting as General Engineer. At year-end, therefore, the team was essentially in place for the multi-million-dollar redevelopment of Kennedy's central terminal area.

● New air cargo facilities were either completed or under construction at all three airports. JFK saw field work begun on two and completion of a third. In September, ground was broken for a multi-tenant, 200,000-square-foot air cargo services building, to be built and operated by Halmar Equities, Inc. In November, ground was broken for a $26 million facility designed to handle fresh produce, cut flowers and other perishables. And by year-end, work had been completed on the first building of a two-building, multi-occupancy complex being built by the King Interests of Houston, Texas.



Quieter setting for teacher and youngsters at Lawrence School #4, Long Island, thanks to Port Authority's soundproofing program for schools near airports. Using Federally-financed noise abatement project funds, the Authority has soundproofed 21 schools in N.Y. and N.J.

● At Newark International, construction was completed in midsummer on United Parcel Service's $11 million package distribution center, located in the south development area of the airport. With this new center, Newark is now positioned as a major UPS East Coast hub. At LaGuardia, where space is at a premium, badly needed cargo-handling room has been provided with the conversion of Hangar 7 into a consolidated air cargo facility with truck docks, storage areas and refrigeration.

Jun 11 Board authorized $5.2 million for new utilities and roadway paving at JFKIA North Cargo Area . . .

SHIPPING AND THE PORT: THE COMPETITIVE CHALLENGE

The Port of New York and New Jersey is the primary load center of the North Atlantic—a position it must fight to keep. Seaports as far south as Miami and as far north as Montreal continue to invest millions in hopes of siphoning off portions of this port's shipping. West Coast ports seek to attract Asian cargoes bound for the Northeast United States. Facts of contemporary maritime competition include the volatility of the shipping industry and the increased size and capacity of modern containerships, which any major port must accommodate efficiently and economically to stay in business. Last year saw increasing cooperation between the Port Authority, the industry and labor to meet these competitive challenges. The stakes to be defended in this port are high: well over $14 billion annually in economic activity and nearly 200,000 port industry-related jobs throughout the bistate area.

The Port Authority, fully committed to preserving the port's preeminent position in the maritime world, plans to spend more than $500 million by the year 1991 on port commerce projects. Significant construction progress was made during 1987:

- Capital expenditures in the amount of $76 million for port improvements went into three key accomplishments—the inauguration of channel deepening in the harbor, the start of work on one new marine terminal, and the opening of a second new terminal.

- After a long fight to win Congressional authorization, Phase 1 of a $145 million Port Authority/U.S. Army Corps of Engineers program to deepen from 35 to 40 feet the port's major shipping channels got under way in midsummer with the start of channel dredging in the Kill Van Kull and Newark Bay. Plans include a later phase involving Howland Hook Marine Terminal on Staten Island. For the first time in history, local port agencies must share the cost; the Port Authority's share of current NY-NJ Port dredging project costs is $50.8 million, or 35 percent.

Historic dredging started in Kill Van Kull and Newark Bay in 1987. The Port Authority is paying $50 million (35 percent) of cost.

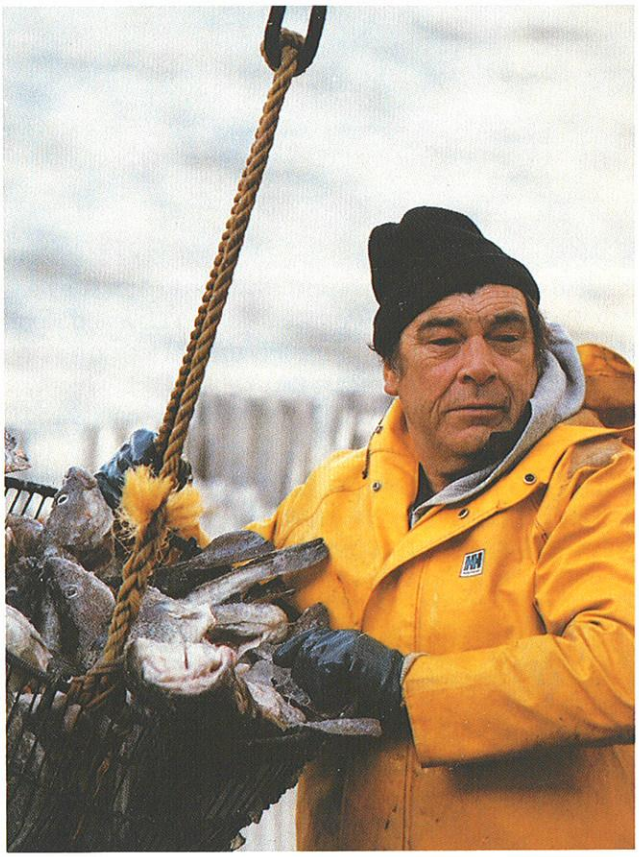
- The groundbreaking was held in September for a $31 million automobile importing and processing facility at the Port Authority-owned Port Jersey and Greenville site on the

Not all control towers are at airports. This ACL employee at the PA's Port Newark/Elizabeth Marine Terminal needs a tower to control container storage at the seaport.

Jun 11 PATH Board authorized $8.1 million to modify platforms to permit expansion to 8-car trains . . .

Jersey City-Bayonne waterfront. The new 145-acre Port Authority Auto Marine Terminal, built to handle some 300,000 autos a year, will strengthen the port's competitive position in the growing market for vehicle imports.

● The Port Authority's Fishport at the Brooklyn waterfront's Erie Basin opened its newly completed fish-handling hall and auction room and held its first fresh fish display auction in December. A potentially job-intensive business, Fishport is an important development for the Brooklyn waterfront; it provides the opportunity for commercial fishing vessels to return to New York City for the first time in a quarter of a century.



The opening of Fishport at Brooklyn's Erie Basin signaled the return of commercial fishery boats to region.

● Two veteran Elizabeth-Port Authority Marine Terminal tenants — Atlantic Container Line and Maher Terminals, Inc. — renewed their long-standing commitments to the port with new long-term leases that included major upgrading of their facilities. Atlantic Container Line's new 13-year lease includes its agreement to make substantial improvements to its terminal while the Port Authority undertakes general terminal modernization improvements. Under terms of Maher's new 25-year lease for more than 200 acres at its Fleet Street Terminal, this major terminal operator and the Port Authority have committed to creating a state-of-the-art container terminal complete with new cranes, deeper wharves, and facilities that meet the needs of the port well into the twenty-first century.

RAIL TRANSPORTATION: 25 YEARS OF PROGRESS

September 1, 1987 marked the 25th anniversary of the assumption of operations by the Port Authority Trans-Hudson Corporation (PATH) of the Hudson and Manhattan Railroad, an antiquated and bankrupt system on the brink of abandonment. In the quarter-century since, PATH has doubled its annual ridership, built new terminals, purchased fleets of new transit cars, rehabilitated old cars and stations, and upgraded or replaced safety, power distribution and signal systems.

In 1987, total PATH ridership rose approximately 1 percent to a projected count of 58.2 million. This is the highest passenger volume since 1948, when the region's transit system was still profiting from post-war shortages in alternate travel modes, and more than double the traffic in 1963, the first full year of Port Authority operation.

PATH concluded negotiations with a private developer providing for the joint development of Pavonia/Newport station in Jersey City, including a total contribution by the developer valued at $3.5 million. Further, the cost of PATH's new and rehabilitated cars was reduced by approximately $30 million through the use of safe harbor leasing.

Service Improvements

● The last of the 95 new transit cars ordered for the PATH fleet in 1984 was delivered and placed in service on schedule in December 1987. The majority of these cars were built by the Nissho Iwai American Corporation at the Port Authority Industrial Park in Yonkers. Of the 247 older cars being completely rebuilt, two-thirds were back in service by year's end. The addition to the fleet of both new and rehabilitated cars allowed lengthening of trains on the Journal Square-33rd Street line from five to an average of six cars, an expansion that increased capacity on the line by 20 percent. In addition, rush hour service was increased to three-minute intervals on the Hoboken-World Trade Center line and to six-minute intervals on the Hoboken-33rd Street line. Further service expansion was planned in 1988, with the return of the remaining rehabilitated cars.

● TransitCenter, a coalition of PATH, New Jersey Transit and New York's Metropolitan Transportation Authority formed to promote regional mass transit use, launched an early fall campaign to encourage employers to offer TransitCheks to their commuting employees. TransitChek is a fringe benefit that provides up to $15 in monthly tax-free discounts on commuter rail, bus and subway fares, thus furnishing an incentive for commuters to leave their cars at home. At year's end, 148 regional employers were participating.

● In addition to expanding its high-visibility PATHursday morning meetings with commuters, PATH, in June, inaugurated a more formal Patron Advisory Committee program in which patrons meet with senior PATH staff on a weekly basis for four consecutive weeks to discuss service improvement possibilities.

Jul 7 Announcement that Merrill Lynch will construct a 126,500-sq-ft data center on Teleport site . . .

• "Quick-way" quarters-only turnstiles were introduced in April as a result of suggestions from PATH patrons that came by letter, comment card and at PATHursdays. During the year more than 60 turnstiles at seven stations and terminals were converted to this newer, faster way for patrons to pay their fares. Many turnstiles, however, still accept combinations of coins and, for further flexibility, PATH has installed additional dollar-bill turnstiles.

Construction Improvements for Safety and Service

Capital expenditures for rail transportation-related projects amounted to $177 million in 1987 for improvements in safety, service, equipment and infrastructure.

• Work on PATH's new tunnel emergency ventilation system continued throughout the year. The first of the system's five components was completed in May, while construction neared completion on a second, and began on a third by year's end. The completed structure is near PATH's Pavonia/Newport station; the structure nearing completion is near Journal Square station; and the newest component is being built at Exchange Place. All five components have been designed to work independently or as a system to clear smoke from the tunnels and bring in fresh air—an important safety improvement for the PATH system.

• During the year, rehabilitation of the Christopher, 9th, 14th, and 23rd street stations in New York City and the Grove Street and Exchange Place stations in Jersey City was completed. All stations were equipped with new lighting, resurfaced walls, ceilings and platforms, and improved public address systems.

• In December, the PATH Board of Directors authorized a $19 million project to modernize the Pavonia/Newport station. Through a joint agreement with the Newport Associates Development Corporation (NADC), PATH would undertake below-ground improvements, toward which NADC would contribute $1 million, in addition to building a new station entrance pavilion.

• Another significant construction milestone was the beginning of work on PATH'S $205 million car shop and yard in Harrison, New Jersey, designed to speed repair and maintenance work and reduce down-time for PATH cars. This much-needed facility will replace the existing obsolete 78-year-old Henderson Street facility in Jersey City.

• During the year, PATH acquired full control of the Hackensack River Lift Bridge under an agreement with Conrail, which previously had control of the span used by PATH trains to cross the river between Jersey City and Kearny. PATH continued a series of rehabilitation projects to improve the bridge's reliability.

FERRY SERVICE DEVELOPMENT — PROGRESS

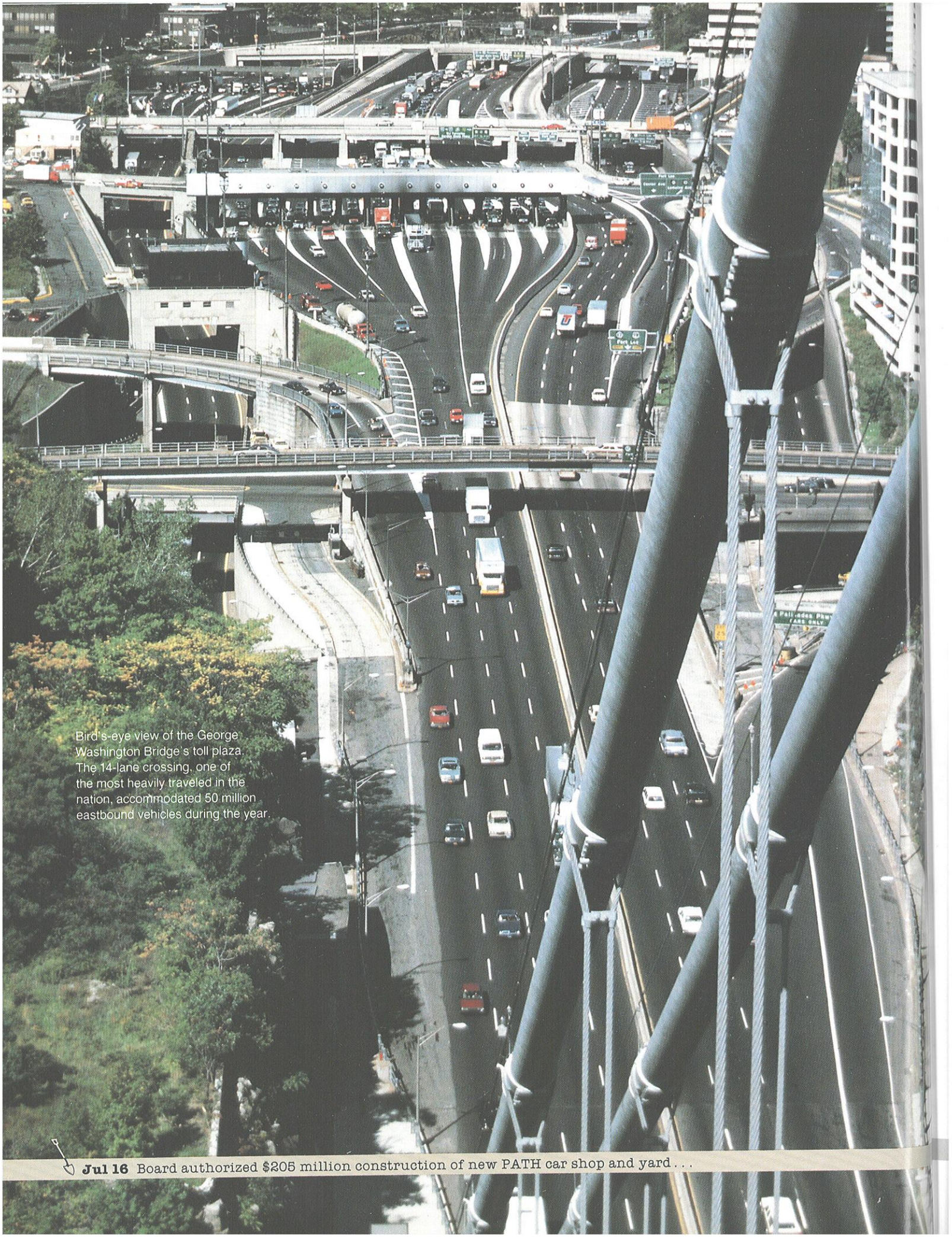
During the year, the Port Authority measurably advanced its proposed trans-Hudson ferry service, designed to relieve overcrowding on the interstate transportation network. In October, the agency used a highly successful advertising campaign to solicit private participation in the design and construction aspects as well as the operation of the ferry service. Within two months, the Port Authority's Office of Ferry Transportation had received 14 proposals, representing approximately 45 business entities interested in initiating trans-Hudson ferry service.

The Port Authority expects to select a private partner for the development and operation of this service by mid-1988. This privatization effort is being undertaken with the assistance and cooperation of the federal Urban Mass Transportation Administration.

Negotiations continued with the Battery Park City Authority and New Jersey Transit regarding terminal locations on the states' respective shorelines. In December, legislation was enacted removing "Federal Channel" designation from the area of the Hudson River adjacent to Battery Park City's World Financial Center in which the New York terminal would be sited.

Newly renovated PATH Christopher Street station features brushed aluminum slat ceilings and tile floor surfaces, high-level lighting and new public address systems.

Jul 16 Board authorized $5 million modernization of ACL terminal at PA's Elizabeth Marine Terminal . . .



Bird's-eye view of the George Washington Bridge's toll plaza. The 14-lane crossing, one of the most heavily traveled in the nation, accommodated 50 million eastbound vehicles during the year.

Jul 16 Board authorized $205 million construction of new PATH car shop and yard . . .

TUNNELS, BRIDGES & TERMINALS: RESTORING OUR REGIONAL LINKS

Traffic in 1987 at all Port Authority interstate vehicular crossings totaled almost 110 million trips, approximately one-half of a percentage point down from 1986 levels. Among trans-Hudson crossings, an 8.1 percent increase at the Holland Tunnel was offset by decreases at the Lincoln Tunnel and George Washington Bridge for an overall nine-tenths of one percent decline. Total Staten Island Bridges traffic rose one percent.

The slight decrease in traffic during the year does nothing to change the fact that rush-hour congestion on the aging bridges and tunnels has become formidable; that vehicular traffic threatens to approach gridlock within a very few years.

In addition to finding new answers to the problems of moving great numbers of people and goods, the Port Authority must address itself to maintaining and upgrading the structural integrity of its aging facilities while, at the same time, improving the comfort level and safety of those who use its facilities—all this, while the facilities remain in constant operation.

Service Improvements

- TRANSCOM, the communications organization created to improve daily traffic management and coordinate related activities throughout the region, had, at year's end, 14 New York and New Jersey transportation agencies in active partnership, while its construction information data bank ended 1987 with detailed data on 379 regional construction projects scheduled through 1992.

The organization now transmits a weekly traffic advisory, via telecopier, to all member agencies, to many police departments, several cooperating trucking firms, and the Shadow Traffic service. Major traffic-generating events at Yankee Stadium and the Meadowlands are also included—all with the goal of alerting participating organizations to possible traffic disruptions and enabling them, when possible, to coordinate scheduling of major work projects. The Port Authority, a founding TRANSCOM partner, continues to play a leading role.

- At the Lincoln Tunnel, during 1987, approximately 1,600 buses carrying some 65,000 daily commuters used the existing exclusive bus lane, spurring NJ Department of Transportation plans for a 1988 expansion of the program.
- The Taxi Dispatch Program at the Port Authority Bus Terminal began in March to good reception from patrons. At the same time, the elimination of Red Cap fees improved the level of baggage service while reducing the problem of bag hustling by unauthorized individuals.

Construction Progress

Capital expenditures for the agency's tunnels, bridges and terminals for 1987 amounted to $75 million. Rehabilitation of the Holland and Lincoln Tunnels, the George Washington Bridge and the Outerbridge Crossing were among major construction projects of the year.

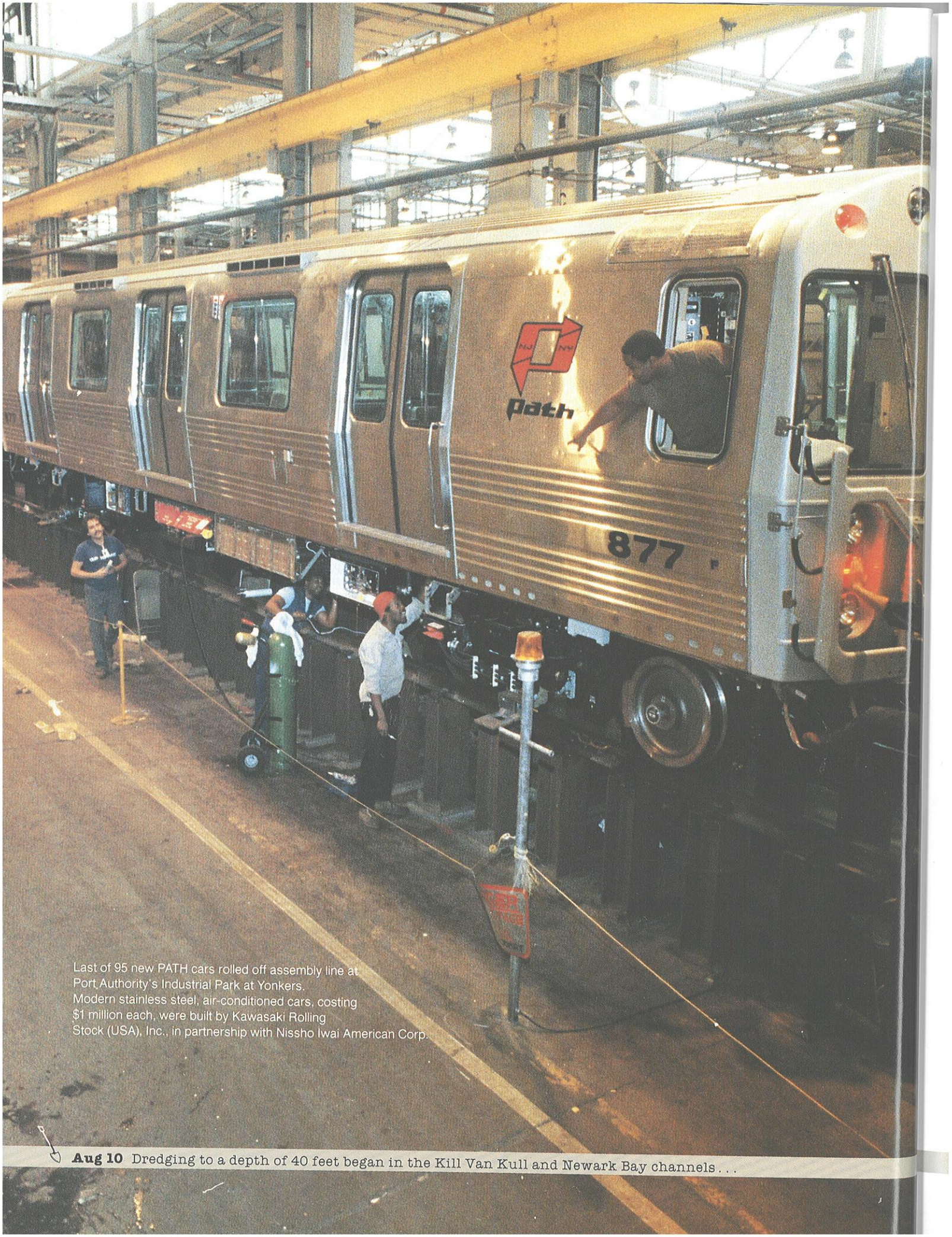
- Rehabilitation of the Holland Tunnel's south tube was completed early in the year. Work—all done during the late evening hours to permit full use at other times—included ceiling replacement, installation of new curbs, drains, niche doors and lighting. The same work schedule is being adhered to in the similar rehabilitation of the north tube, which is due for completion by mid-1988.
- At the George Washington Bridge, 1987 saw a number of critical rehabilitation projects completed or under way—e.g., repaving the eastbound lanes of the upper level; repairing the Broadway and Wadsworth Avenue approach bridges over the New York Expressway and the columns that support the Henry Hudson Parkway ramps; and restoring the granite facing of the New York anchorages.
- At Outerbridge Crossing, the rehabilitation of the four-lane deck and the resurfacing of both the main span and approaches neared completion in 1987. Final work, expected to be completed in the spring of 1988, includes correction of certain roadway surface problems caused by winter weather conditions.
- At the Lincoln Tunnel, work on the last of seven approach bridges began in November, repairs to the other six having been effected a year ahead of schedule. The tunnel's new New Jersey emergency garage was also completed in November.

THE PORT AUTHORITY BUS PROGRAMS

In 1987, under its $440 million bistate Bus Programs, the agency purchased a total of 345 buses—317 for New Jersey Transit, one for New York's MTA, and 27 for Westchester Country—at a cost of $47.8 million. The Port Authority has now completed the programs' $220 million expenditure for New Jersey buses; $1.7 million remains for New York bus purchases. Since the programs' inception in 1979, they have provided some 3,000 buses—nearly half of all new buses bought in the region between 1979 and 1988.

On December 22, 1987, fifty years after he paid the very first Lincoln Tunnel toll, Omero Catan returned to help the tunnel celebrate its 50th birthday.

Jul 16 Board authorized construction of new $10 million refrigerated cargo facility at JFKIA . . .



Last of 95 new PATH cars rolled off assembly line at Port Authority's Industrial Park at Yonkers. Modern stainless steel, air-conditioned cars, costing $1 million each, were built by Kawasaki Rolling Stock (USA), Inc., in partnership with Nissho Iwai American Corp.

Aug 10 Dredging to a depth of 40 feet began in the Kill Van Kull and Newark Bay channels . . .

WORLD TRADE AND ECONOMIC DEVELOPMENT: EXPANDING OPPORTUNITIES FOR GROWTH

Economic Development Advances

- In line with the Port Authority's long-term goal of attracting private investment and jobs to those areas of the region that have not fully shared in its economic resurgence, substantial progress was made during the year in industrial development, particularly at the Bathgate Industrial Park in the South Bronx. Seven of the park's eight original blocks have been constructed or committed. Construction of a 20,000-square-foot Business Assistance Center was completed to provide a variety of support services for tenants. Overall, the Port Authority, in cooperation with the New York City Public Development Corporation, has created a total of 1,320 jobs at Bathgate. Of those jobs, 74 percent went to Bronx residents.

- At year's end, Nissho Iwai American Corporation (NIAC), the largest tenant of the Port Authority's Industrial Park at Yonkers, was completing rehabilitation of PATH's older cars while preparing to begin production of 200 new cars for New York's MTA. The firm's new MTA contract assured continued work for several hundred NIAC employees. Also during the year, construction contracts were awarded for various replacement and rehabilitation projects at the park as part of the Port Authority's overall capital program.

- At the Port Authority Industrial Park at Elizabeth, a major manufacturer began design work during the last quarter of 1987 for the $7.5 million building it plans to construct there. At year's end, negotiations were under way for the sale of 21.5 acres to a second major firm.

- An agreement executed in July with the City of Newark paved the way for development of a 21-acre industrial park in Newark's South Ward. Development plans call for a minimum of 500,000 square feet of light manufacturing space, generating a minimum of 500 permanent new jobs, in an effort to attract long-absent private sector activity. By year's end, substantial private developer interest was being expressed.

- Teleport, the Port Authority's satellite communications center on Staten Island, had approximately 70 percent of its one million square feet of space either leased or under option. Two major new tenants began construction on the third and fourth buildings: the 125,000-square-foot Merrill Lynch Data Center expected to employ about 250 people, half of them in new jobs; and the 160,000-square-foot TELEHOUSE computer center designed to house a staff of 150.

- The Newark Legal and Communications Center moved closer to reality in 1987 with the award of a $43 million contract for major construction. The 20-story office building, designed to help stem the outflow of law firms from the City of Newark, is expected to be completed in April 1989. Space in the building is 85 percent committed.

- All necessary agreements and approvals for the $300 million Essex County Resource Recovery facility in Newark, New Jersey, had been obtained by year's end, and site preparation had begun.

- The City of New York and the Port Authority signed principles of agreement on a development strategy for the Hunters Point waterfront development project in Queens, New York. At year-end, negotiations were continuing with all property owners to bring about a consolidation of the site so that development might proceed.

- Port Authority participation in a mixed-use waterfront development project in Hoboken was effectively precluded in 1987 due to continued litigation and lack of consensus within the City of Hoboken as to its development objectives for the site.

International Trade Accomplishments

Another Port Authority mission—helping the region's small manufacturers break into the field of international trade—was furthered this year with the generation of over $40 million in new business opportunities for 70 regional companies represented by XPORT, the agency's trading company. XPORT's efforts resulted in $10 million in 1987 sales.

- Twelve regional manufacturers participated in Port Authority trade missions to Italy and the Far East during the year. As a direct result of the agency's mission to Shanghai and Beijing, China, the Port Authority signed an agreement with the Chinese government to train port officials in port management, a program expected to be of mutual benefit in furthering trade between the region and China.

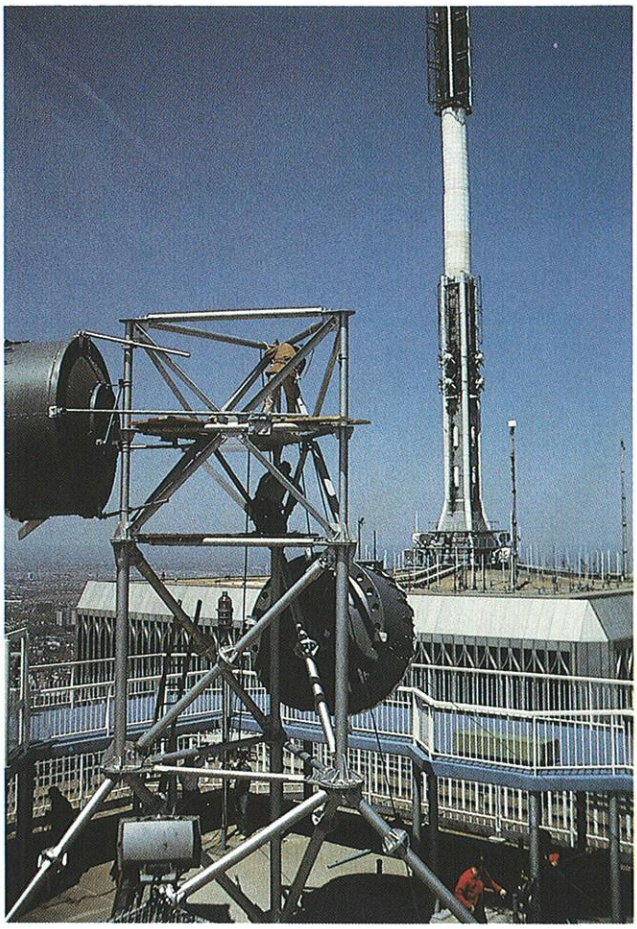
The July trade mission to Rome and Milan resulted in a quotation of $1.5 million in business and $44,000 in immediate sales.

Trade Development Office Activity

As part of its mission to promote and protect the commerce of this port, the Port Authority maintains trade development

PA Executive Director Stephen Berger lends a hand as a Japanese consortium called TELEHOUSE begins work on a 160,000-square-foot computer data center at The Teleport on Staten Island.

Sep 11 Groundbreaking ceremony for new 200,000-square-foot air cargo services building at JFKIA . . .



Microwave antennas installed on roof of World Trade Center are key components of new PA Airport Microwave System (PAAMS) connecting JFK, Newark and LaGuardia airports and the WTC.

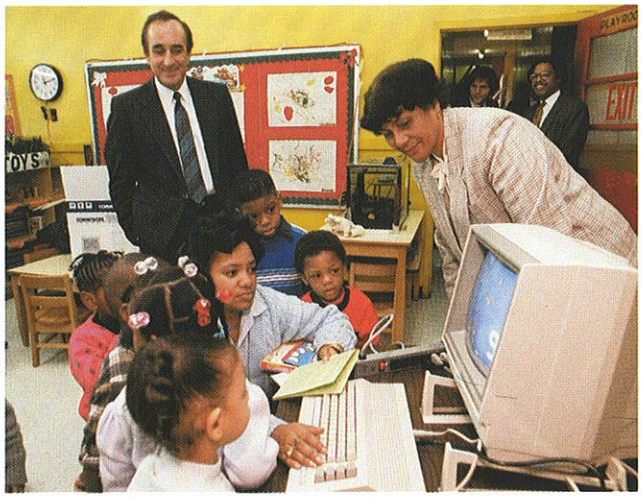
offices in Chicago, Cleveland, New York, Tokyo, London and Zurich, which promote domestic and international trade and tourism while serving those departments within the agency that have international responsibilities. The offices also work closely with New York State trade representatives in Europe and Japan and with the New Jersey trade development office in Tokyo to help market the bi-state region as a place in which to invest, and as an exporter of goods and services.

Some of the Port Authority's trade development activities in 1987 included:

- Six airport and tourism seminars and eight air cargo seminars in Europe and the Far East to educate industry personnel and inform them of the services and attractions available in the New York/New Jersey region.
- Identification of well over 100 investment prospects for the New York/New Jersey region, leading to intensive meetings with 20 firms with a view to locating them within the port district.
- A successful effort to convince a major Belgian hi-tech traffic sign manufacturer to establish a plant within the bistate region by contracting with the company to supply prototype signage for the Holland Tunnel.

At the World Trade Center

- The World Trade Institute, educational arm of the World Trade Center, conducted 13 senior management programs in international trade for 200 participants from developing countries. In total, more than 7,500 people attended one or more of the Institute's Language School classes, Evening School of World Trade courses and two- and three-day seminars on world trade.
- Within the Trade Center complex, the ongoing program to keep the physical plant competitive in the first-class office market continued throughout the year, with new stone flooring and new carpeting installed in mezzanines, lobbies and skylobbies as well as major work on new entrances, vestibules and the concourse itself. The Trade Center's near-full occupancy for the seventh consecutive year surpassed the performance of the downtown Manhattan office market as a whole; and its 1987 vacancy rate of 3 percent was far below New York City's rate of approximately 10 percent.
- The construction of Seven World Trade Center by private interests was on schedule, with over 90 percent of the base building construction completed and three floors finished by year's end, ready for the building's first tenant, Oppenheim, Appel and Dixon. In Two World Trade Center, half of the 24 former New York State-tenanted floors to be occupied by Dean Witter were fitted up by year-end for occupancy in early 1988.
- By year's end, all TV broadcasters formerly located at the top of the Empire State Building were transmitting from the top of Tower One, with WNYC-TV, the last of the region's ten stations, installed and into full-time transmisson early in the year.
- The World Trade Center Observation Deck enjoyed another record year with more than 1,770,000 visitors, a two percent increase over 1986.



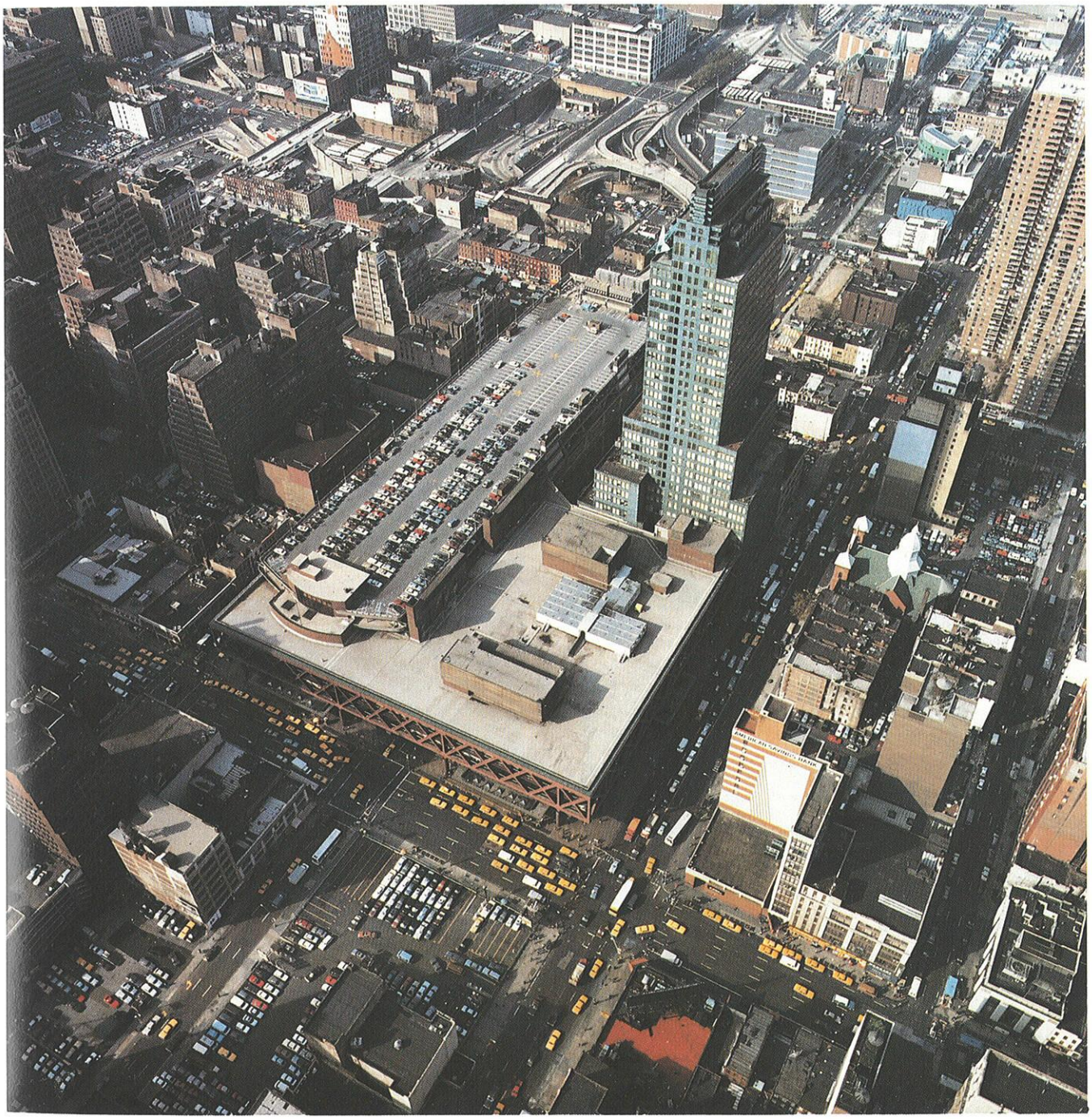
These school children in the Bronx are enjoying a computer with a color monitor, donated to their school (the Aleene Logan Pre-School Center) by employees and tenants of the Port Authority's Bathgate Industrial Park. Many of the children's parents work for the park's tenant firms in the South Bronx.

Oct 87 Dedication of new PA Downtown Manhattan Heliport . . .

THE PA AS COMMUNITY PARTNER

The Port Authority's commitment to the economic health of the region is well-documented. Its capital expenditures on the region's behalf a matter of record. Less well-known, however, are the agency's ongoing, long-term efforts to contribute to the well-being of its neighbors in communities surrounding its facilities. In cooperation with other agencies, and insofar as its legislative charter permits, the Port Authority continues to address community needs and develop strategies to cope with them. In prior years and during 1987, the agency has expended management resources and capital on the following programs:

- In 1987, close to $30 million of the agency's commodity and service purchase contracts were awarded to businesses owned and controlled by minorities and women,



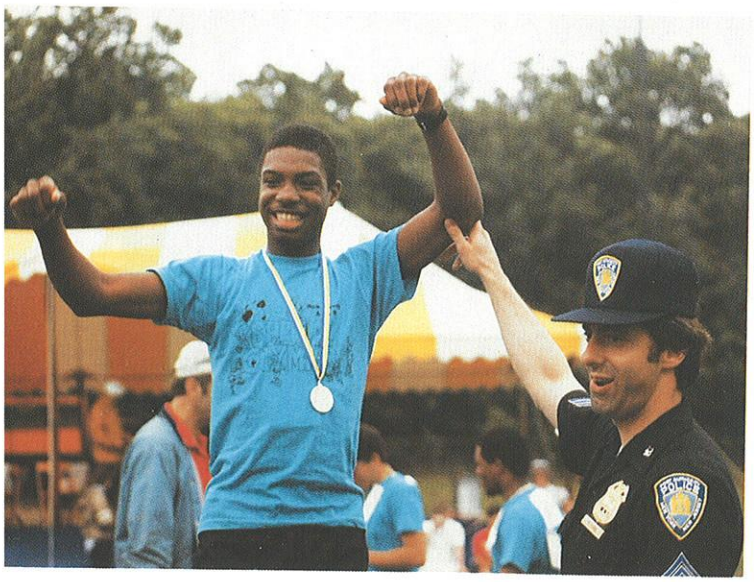
The expanded Port Authority Midtown Bus Terminal, with its connecting links to the Lincoln Tunnel, serves as an anchor for the proposed redevelopment of 42nd Street and the Times Square area, as well as a major gateway to and from New Jersey for hundreds of thousands of the region's daily commuters. In 1987, some 59 million passengers and 2.1 million buses used this giant, modern facility.

Nov 12 Authorized building of computer center at The Teleport by Telehouse Int'l . . .

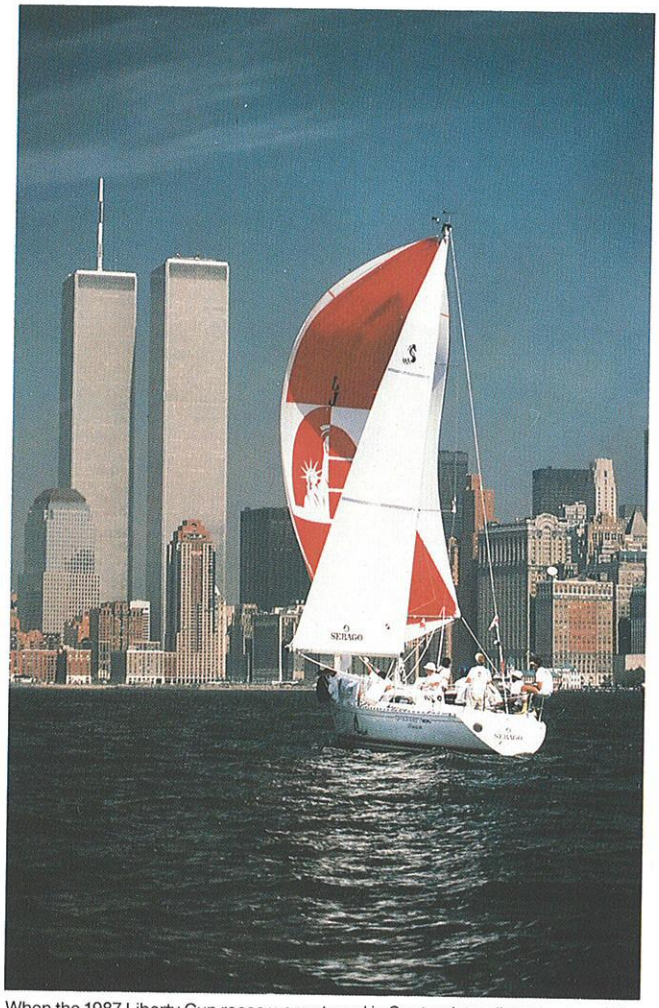
while the dollar value of construction and other contracts exceeded $28 million by year's end. These contract awards reflect the Authority's long-standing policy of maximizing opportunities for minority-and women-owned businesses through the agency's own contracting and procurement practices, to the fullest extent consistent with Port Authority requirements for acceptable quality and cost. The Authority employs a variety of innovative approaches, including joint venture contracts and contracts set aside for exclusive bidding by these concerns to assure that its participation goals are met. For a reading of the full policy, please see page 26.

- The Authority's Local Assistance Program was broadened during the year to include local development corporations, municipalities and community groups around the agency's facilities. Since the program's inception in 1983, it has helped expand the region's economic base by providing technical and professional support on more than 50 community projects in the older municipalities of New Jersey, the five boroughs of New York City, and sections of Westchester County.

- Working with local Private Industry Councils and the general employment and training community, the Port Authority in 1987 continued to expand its listings of job training, program funding and tax credits available to those Port Authority industrial park tenants who would agree to hire and train disadvantaged area residents. As a result of these cooperative efforts, nearly all of the 183 new jobs created at Bathgate Industrial Park in the South Bronx during the year went to local men and women. Similarly, although many of the 393 new jobs created at the agency's Industrial Park at Yonkers in 1987 required specialized or unusual skills, some 55 percent of these openings were filled by disadvantaged local residents.



Two hundred and fifty Port Authority police lent helping hands to the 1987 New Jersey Special Olympics Summer Games for mentally retarded athletes, held in Wayne, NJ. This youngster just won a first-place track & field medal.



When the 1987 Liberty Cup races were staged in September, all eyes were on the harbor. This yacht carried the Japanese team. P.S., Australia won.

- Joint Port Authority/Private Industry Council efforts also resulted in the placement of close to 160 chronically unemployed people in jobs with tenants of the World Trade Center and JFK International Airport as well as with a number of companies in New Jersey. In addition, the Port Authority is itself recruiting and training 26 such people from around the bistate region for the entry-level position of General Maintainer at PA facilities.

- Within the Port Authority organization itself, apprenticeship and on-the-job training programs have been initiated which not only ensure the continuity of a highly trained workforce to deliver quality services to our customers, but which also provide employment and promotion opportunities to minorities, women and the economically disadvantaged residents of the region.

- The Airport Services Development Office, operating since 1984, exists to promote local businesses by encouraging patronage by airlines and other airport tenants. The original office, opened in Queens, has been successful enough to inspire the opening of a similar office to serve the area surrounding Newark International Airport.

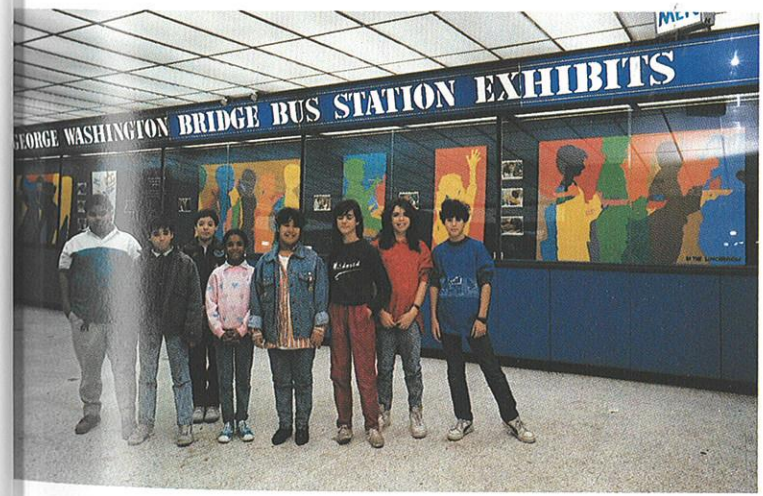
Dec 11 Start of construction for the Essex County Resource Recovery Facility . . .

- The Port Authority Ambassadors, the agency's speakers' bureau, continued to be much in demand on both sides of the Hudson River. Colleges, community organizations and professional groups substantially increased the number of requests for presentations on a variety of regional or agency-related topics. In addition, staff at the Authority's facilities continued to respond to requests for speakers to address groups in neighboring communities on subjects of special interest to their memberships. One popular long-term program, for example, has PATH police giving rail safety presentations to audiences of New Jersey school children.

- Port Authority personnel at the agency's airports, tunnels, bridges and terminals continued their traditional special events days for certain community groups such as school children, senior citizens, disabled youngsters and others to acquaint them with the facilities and to foster mutual understanding.

- With the safety of its patrons and its employees as a top priority at all times, the Port Authority established one of the earliest and most advanced asbestos control programs in the nation—its purpose: to safely manage or remove asbestos where this substance was used in fireproofing and thermal insulation prior to its ban in the early 1970s. At year's end, the agency's comprehensive baseline survey of all facilities was 80 percent complete and funding for purchase and installation of a transmission electron microscopy lab for state-of-the-art technology in analyzing air samples was in place.

- At the Port Authority Bus Terminal in mid-Manhattan, two well established assistance programs continued in operation: Youth Services and Project Find. The latter provides a gathering place for neighborhood senior citizens and serves them hot meals; while Youth Services, using teams of police and social workers, devotes its efforts to helping troubled youths and runaways.



Between commuter rush hours at the George Washington Bridge Bus Station, school children from neighboring Washington Heights pose proudly in front of exhibit case displaying their murals.

- During the year, the number of homeless people seeking shelter in the Port Authority's public facilities increased significantly. This agency has moved in several ways to balance the needs and rights of these unfortunate people with the Port Authority's primary obligations to its patrons and tenants. Authority-funded programs undertaken by the Volunteers of America organization are now providing shelter, counseling, and referral to medical and other services for the homeless populations at New York's midtown Bus Terminal and The World Trade Center; while in New Jersey, PATH has provided funding to Jersey City for the provision of such services at the Journal Square Transportation Center through a Jersey City contract with the Catholic Community Services organization.

The homeless gather at the Port Authority Bus Terminal. A Volunteers of America counselor and a sympathetic Port Authority staff member offer their help.

In addition to establishing a full-time staff team to strengthen the delivery of alternative services for the nearly 1,000 homeless who daily seek shelter in Port Authority facilities, the agency has also been working closely with Jersey City and the City of New York toward the creation of drop-in centers near facilities where the need is greatest. At year's end, the Port Authority was in the process of developing one of the most comprehensive and responsible assistance programs of any transportation agency in the nation.

Dec 14 Fishport auction opens . . .

PORT AUTHORITY POLICY FOR MINORITY AND WOMEN'S BUSINESS ENTERPRISE PROGRAMS

Purpose

It is the policy of the Port Authority to expand the range of entrepreneurial and employment opportunities available to minorities and women in the New York/New Jersey region and, in particular, to create such opportunities in conjunction with Port Authority investments and operations to the fullest extent consistent with the Authority's existing policy to secure an acceptable level of quality, generally at the lowest cost. The programs that implement this policy are organized around two objectives: (1) maximizing opportunities for Minority Business Enterprises (MBEs) and Women's Owned Business Enterprises (WBEs) to participate in the performance of all Port Authority contracts and continuing to increase such participation in its programs of construction, procurement and services in connection with all facilities; and (2) working with other appropriate public agencies and authorities in both states to seek to expand the number of MBEs and WBEs qualified to bid on contracts for the Port Authority and other organizations and to help them increase the scope and complexity of the services they are qualified to provide.

Participation In Port Authority Contracts

The Port Authority's approach to increasing the participation of minority and women's business enterprises in its contracting and procurement programs centers on the establishment of specific percentage goals for the dollar value of work to be awarded to MBEs and WBEs, and the use of a variety of techniques to help Port Authority managers, tenants, major contractors, and MBEs and WBEs attain these goals.

The agency's overall goal will be to attain participation levels of 10% of Port Authority construction and service contracts for MBEs and 1% for WBEs. Higher or lower goals may be more appropriate in specific situations. The Board of Commissioners will annually review these overall goals during the budget review process. Quarterly reports will be provided to the Board concerning our progress in attaining overall goals.

Departmental goals will be determined through the business planning process, taking into account each department's projected contracting and procurement activities. With respect to individual projects, contracts and procurements, the Port Authority will continue to identify goals for participation that reflect overall agency and department goals, the nature of the work to be performed, and reasonable expectations about the availability of MBEs and WBEs qualified to perform such work.

Where it is feasible and appropriate to do so, the Port Authority will set aside selected contracts for competitive or negotiated bids by MBEs and WBEs. This is an especially effective means of expanding minority participation and the Port Authority is committed to increasing its use.

Other techniques to be employed in attaining MBE and WBE participation goals include:

- Inclusion in Port Authority contracts of provisions requiring contractors to make good faith efforts to achieve specified MBE and WBE participation goals.
- Whenever feasible, inclusion in selected Port Authority contracts of provisions mandating specified levels of MBE and WBE participation.
- An aggressive program of outreach to qualified and potentially qualified MBEs and WBEs.
- Providing training and technical assistance, including — where appropriate — contracting with outside entities to provide service to MBEs and WBEs participating in Port Authority contracting and procurement programs.
- Increased flexibility in the use of bonding requirements.
- Provision of public liability and workers' compensation insurance coverage.
- Monitoring of contractors' performance with respect to MBE and WBE participation, and undertaking enforcement measures when necessary.

In addition, the Port Authority will continue to use these programs to ensure participation by MBEs and WBEs in contracts funded with Federal financial assistance, as required by applicable Federal laws and regulations.

The Port Authority also will continue to require that its lessees and tenants carrying out major construction projects at its facilities seek meaningful minority and women's participation in those projects. As with its own projects, this requirement applies both to MBE and WBE participation as contractors and subcontractors, and to the composition of the labor force on such contracts. We will closely monitor compliance with this policy and enforce it with appropriate measures.

The Port Authority's Office of Minority Business Development provides overall supervision to the Port Authority's efforts to aggressively seek out and certify MBEs and WBEs, works with other departments to set goals for each contract and monitors which MBEs and WBEs are bidding on Port Authority contracts and their success rates. To be certified by the Port Authority Office of Minority Business Development, and thus be eligible for these contracting opportunities, minority or women's ownership interest must be shown to be real, substantial and continuing.

Any bidder who is found to have failed to meet MBE and WBE goals and to have failed to demonstrate that sufficient reasonable efforts to meet such goals were taken can be debarred from bidding on future contracts.

Development

An effective program for MBE and WBE involvement also depends upon increasing the number of firms that can compete and are capable of carrying out Port Authority contracts. The Port Authority, working with other interested agencies and authorities, will also seek to encourage the formation and growth of minority business enterprises capable of meeting the vast construction, procurement and service needs of the region. Means of achieving this end include support of training and education programs for minority and female entrepreneurs; fostering the development of joint ventures with majority firms; set-aside of selected contracts for the purpose of assisting the growth and development of MBEs and WBEs; assisting minority and women-owned businesses in obtaining needed financing from various public and private sources; and the development of other innovative techniques aimed at overcoming barriers to the formation and growth of such businesses.

Financial Section

Wardell R. Lazard (right) of WR Lazard & Co. meets with (from left) PA Commissioner H. Carl McCall, Chairman Philip D. Kaltenbacher and Executive Director Stephen Berger to mark his securities firm's successful bid on $10 million worth of PA notes. His firm was low bidder among six minority firms who responded to the PA's first-ever minority set-aside for securities dealers, a significant step forward in the agency's affirmative action program.

To The Board of Commissioners of
The Port Authority of New York and New Jersey

The Comprehensive Annual Financial Report of The Port Authority of New York and New Jersey, including its subsidiary Port Authority Trans-Hudson Corporation (PATH), for the year ended December 31, 1987, is submitted herewith. This report fairly presents and fully discloses the Port Authority's financial results of operations, financial position, and changes in financial position in accordance with generally accepted accounting principles and Port Authority bond resolutions, and briefly describes basic policies and major activities undertaken during the year ended December 31, 1987. The purpose and format of this transmittal letter is to discuss the items listed below in a formal and comprehensive manner.

Reporting Entity and its Services

The Port Authority of New York and New Jersey is a municipal corporate instrumentality and political subdivision of the States of New York and New Jersey, created by the Compact of April 30, 1921 between the two States and thereafter consented to by the Congress of the United States, which undertakes only those projects authorized by the two States. It is authorized and directed to plan, develop, and operate terminals and other facilities of transportation and commerce, and to advance projects in the general fields of transportation, economic development, and world trade that contribute to promoting and protecting the commerce and economy of the Port District, which comprises an area of about 1,500 square miles in both States centering about New York Harbor.

The Governor of each State appoints six of the twelve members of the governing Board of Commissioners, subject to confirmation by the respective State Senate. The Commissioners serve six-year overlapping terms as public officials without compensation. They establish Port Authority policy, appoint an Executive Director to implement it, and also appoint a General Counsel to act as legal advisor to the Board and to the Executive Director. Governors from either State have from time to time exercised their statutory power to review and to veto the actions of Commissioners from their respective State.

The Executive Director is responsible for the management of the daily operations of the agency's 37 facilities through line and staff departments and guides proposals to the point of presentation to the Board of Commissioners. The Executive Director is also responsible for implementing such proposals after presentation to and approval by the Board.

As a public corporation serving the people of the New Jersey-New York metropolitan region, the Port Authority combines sound business and governmental principles and practices and is dedicated to providing high quality public service and operating efficiency. To assist in guiding the operation of each of the departments, detailed policies and procedures are published and communicated to all employees.

The Compact envisions the Port Authority as being financially self-sustaining and, as such, it must raise the funds necessary for the construction or acquisition of facilities upon the basis of its own credit, taking into account its financial performance, its reserve funds and its future revenues. The agency has neither the power to pledge the credit of either State or any municipality nor to levy taxes or assessments.

Accounting System and Budgetary Control

The Port Authority's consolidated financial statements are prepared in accordance with generally accepted accounting principles, include information on Port Authority operations by operating segment, and are prepared on the accrual basis of accounting. Where appropriate, statements and schedules reflect amounts, including provisions for claims made against the Port Authority, based on estimates and judgments which the Port Authority believes to be sound. These financial statement presentations do not in any way change the net revenues or reserves of the Port Authority or their applications as they are defined and governed by requirements of law and the Port Authority's bond resolutions and as they are reflected in Schedules A, B and C. The Port Authority conducts its operations in accordance with such resolutions and legal requirements. Reconciliations of the Consolidated Statement of Income to Schedule A, Revenues and Reserves, and the Consolidated Statement of Financial Position to Schedule B, Assets and Liabilities, appear on page 38.

The accounts of Port Authority Trans-Hudson Corporation (PATH) are consolidated in the accompanying financial statements. The assets and liabilities of the New York State Commuter Car Program and the Fund for Regional Development are not included in the Port Authority's financial statements since, in accordance with generally accepted accounting principles, neither meets the criteria for inclusion as part of the reporting entity.

To reasonably assure compliance with published policies and procedures and to protect the Port Authority's assets, a system of internal control, including budget guidelines, has been developed. This system is strengthened and supplemented by internal auditors who conduct examinations of the Port Authority's operations and report on management's performance to the Audit Committee of the Board of Commissioners. There are inherent limitations that should be recognized in considering the potential effectiveness of any system of internal control. The concept of reasonable assurance is based on the recognition that the cost of a system of internal control should not exceed the benefits derived and that the evaluation of those factors requires estimates and judgments by management.

The Port Authority's annual budget is a financial planning tool outlining the estimated expenditures for programs already authorized or to be considered by the Board of

Commissioners. It is developed as part of a multi-year business planning process which includes a comprehensive review of the Port Authority's mission and business strategies and the programs, policies and projects, both operating and capital, required to carry out that mission. Approval of the budget, based on the financial plan, does not in itself authorize projects. Each new capital project must be separately considered and approved. Upon approval, the financial plan becomes a means of achieving systematic review of program expenditures to ensure they are made in accordance with the policies and financial decisions of the Board of Commissioners, and the requirements of the By-Laws of the Port Authority.

Results of Operations

The current year's gross operating revenues totalled $1,331,438,000, an increase of $161,852,000, or 13.8 percent, over 1986. This growth is primarily attributable to revisions in the tolls schedules for the tunnels and bridges and the PATH fare, effective April 12, 1987, higher flight fee revenues and increased service charges and vehicular parking revenues at LaGuardia Airport and John F. Kennedy International Airport and higher revenues at the World Trade Center. Operating expenses increased by $65,110,000, or 6.9 percent, over 1986, to $1,002,930,000 primarily as a result of increased contracted services for maintenance programs, janitorial, security and other services at various facilities. In addition, higher costs were incurred for rent payments and payments in-lieu-of taxes to municipalities, labor, equipment and materials purchases, and other miscellaneous expenses.

Cash Management

The Port Authority's long-term investments are in securities of or guaranteed by the United States Government and in Port Authority bonds. Earnings of $50,976,000 were recorded on average long-term investments of $637,698,000.

Short-term investments, consisting primarily of United States Government securities and money market instruments, averaged $399,558,000 during the year. In addition to government securities, short-term investments are also made in limited amounts of certain investment grade negotiable Certificates of Deposit, negotiable Bankers' Acceptances, Commercial Paper and futures contracts. Income on short-term investments totalled $24,400,000.

Income on long-term and short-term investments decreased from 1986 by approximately $23,595,000, or 23.8 percent, primarily due to a reduction in the amounts available for investment, reflecting the drawdown of funds borrowed for capital program purposes, and to a lower interest rate environment.

Financial Position

As of December 31, 1987, the total assets of the Port Authority were $5,542,703,000, an increase of $252,281,000, or 4.8 percent over last year. The investment in Facilities, at Cost, rose by $588,603,000 to $5,976,572,000. This increase is partially due to the additional investment of $255,711,000 in the Interstate Transportation Network Facilities, with PATH's rail car and safety projects, the Holland Tunnel ceiling and curb replacement projects, and the Lincoln Tunnel roadway rehabilitation project accounting for a major portion of the increase. Investment in other facilities rose by $332,892,000, led by Air Terminals which increased by $236,892,000, primarily as a result of Terminal C construction at Newark International Airport and various improvements and rehabilitations to roadways, taxiways and buildings at LaGuardia Airport and John F. Kennedy International Airport. Expenditures at the World Trade Center, start-up of the Essex County Resource Recovery Facility project and continued construction at the Teleport and at the Newark Legal and Communications Center were contributing factors to a $40,639,000 increase in investment in World Trade and Economic Development Facilities. Investment in the remaining facilities increased by $55,361,000, mainly due to expenditures for Port Newark, Port Authority Auto Marine Terminal and Elizabeth-Port Authority Marine Terminal in New Jersey, and Fishport and Oak Point Rail Freight Link projects in New York.

Debt Administration

The Port Authority has issued over $6,885,601,000 in obligations since its creation, of which $2,932,933,000 was outstanding as of December 31, 1987. The Port Authority has issued $4,179,650,000 of Consolidated Bonds and Notes (exclusive of refundings) since 1952, of which $2,718,550,000 were outstanding as of December 31, 1987. In 1987, the Port Authority issued two series of Consolidated Bonds, totalling $114,240,000. Consolidated Bonds, Fifty-eighth Series, Due 2017, in a principal amount of $100,000,000, was issued at an interest rate of 7½ percent per annum. The proceeds of this issue were used to refund $100,000,000 of Consolidated Bonds, Fofty-ninth Series, Due 2017, bearing interest at 10¼ percent per annum. In connection with a Supplemental Coupon Exchange Program, holders of $14,240,000 of Consolidated Bonds, Fifty-first Series, Due 2019, bearing interest at 11 percent per annum, presented these bonds in exchange for $14,240,000 of Consolidated Bonds, Series Fifty-one E, Due 2014, bearing interest at 12 percent per annum until June 1, 1994, and 7 percent per annum thereafter. In 1987, the Port Authority also issued four series of Consolidated Notes, totalling $116,000,000. The proceeds of Consolidated Notes, Series KK, Due 1989, were used to refund $100,000,000 of Consolidated Notes, Series HH (see Note E on page 41), while the proceeds of the remaining three issues were used for purposes of capital expenditures in connection with the Port Authority's facilities.

Consolidated Bonds (which includes Consolidated Notes) are a direct and general obligation of the Port Authority and its full faith and credit are pledged to the payment of debt service thereon. All Consolidated Bonds,

including any which may hereafter be issued, are also equally and ratably secured by a pledge of the net revenues of all existing facilities and any additional facilities which may hereafter be financed or refinanced in whole or in part through the medium of Consolidated Bonds. As of March 1, 1986, the Port Authority had fully satisfied all debt service requirements on all bonds outstanding at the time of adoption of the Consolidated Bond Resolution on October 9, 1952.

To effectuate its programs, statutes which required the Port Authority to create the General Reserve Fund also established the principle of pooling revenues from facilities with established earning power to aid in the development of new projects. The statutes also provide for the utilization of available net revenues to maintain the General Reserve Fund at the prescribed amount of 10 percent of the total par value of all outstanding bonds legal for investment as defined in the General Reserve Fund statutes (except for New York State Guaranteed Commuter Car Bonds).

Currently, the General Reserve Fund and the Consolidated Bond Reserve Fund are pledged in the manner and to the extent provided in the Consolidated Bond Resolution in support of all the Port Authority's outstanding bonds and notes other than New York State Guaranteed Commuter Car Bonds, special obligations established and issued in connection with the Port Authority Commercial Paper Program, and Special Project Bonds.

Before the Port Authority may finance an additional facility for the first time with Consolidated Bonds (including Consolidated Notes) or other bonds secured by a pledge of the General Reserve Fund, the Port Authority's Board of Commissioners must first certify its opinion that the issuance of such bonds will not materially impair the Port Authority's sound credit standing, the investment status of Consolidated Bonds or the Port Authority's ability to fulfill its commitments, including its undertakings to the holders of Consolidated Bonds. Unless such certification is made, neither the General Reserve Fund nor the Consolidated Bond Reserve Fund may be applied for purposes in connection with the additional facility.

It is the Port Authority's policy to retire debt as rapidly as sound financial management permits and to maintain, at year-end, in its reserve funds, a combined amount equal to at least the amount of the next two years' mandatory debt service on bonds secured by a pledge of the General Reserve Fund.

A statutory covenant with holders of affected Port Authority obligations, which was enacted in 1962 by the legislatures of New York and New Jersey, permits the provision of passenger railroad facilities in addition to the basic PATH system only within specified financial limits. The covenant was adopted as part of the statutes authorizing Port Authority acquisition of the interstate Hudson and Manhattan Railroad. In 1973, the legislatures of New York and New Jersey enacted legislation to preclude application of this covenant to Port Authority obligations issued after May 10, 1973.

Interest recorded on the Port Authority's debt charged to operations and reserves in 1987, pursuant to bond resolutions, totalled $135,678,000. Bonded debt repayment through operations and reserves amounted to $57,275,000 which includes long-term bonds with a par value of $54,475,000 retired through mandatory sinking fund and maturity payments and long-term bonds with a par value of $2,800,000 retired in anticipation of future requirements. Therefore, total debt service charged to net revenues and reserves was $192,953,000, which does not include amounts relating to New York State Guaranteed Commuter Car Bonds and Special Project Bonds. Outstanding bonds and notes, exclusive of New York State Guaranteed Commuter Car Bonds, decreased during the year by $41,275,000 to a total of $2,815,050,000. At December 31, 1987, commercial paper obligations outstanding, including $1,879,000 accumulated under the bank line of credit, totalled $117,883,000. During the year, net assets increased by 7.0 percent to a total of $4,424,723,000.

Reserve Funds

At year-end 1987, the General Reserve Fund balance was $293,294,000 and met the prescribed statutory amount of 10 percent of all outstanding bonds legal for investment as defined in the General Reserve Fund statutes. On December 31, 1987, the Consolidated Bond Reserve Fund had a balance of $467,542,000, after application of $176,656,000 to direct investment in facilities, $2,800,000 for the retirement of Consolidated Bonds in anticipation of future requirements and $2,929,000 to self-insurance. The sum of these Reserve Funds was $760,836,000, which exceeded the next two years' mandatory debt service on bonds secured by a pledge of the General Reserve Fund.

Bond covenants require that the Reserve Funds be maintained in cash or invested in certain government securities. At year-end, $759,836,000 was invested in such securities and $1,000,000 was maintained as cash.

Independent Audit

A firm of independent certified public accountants is retained each year to conduct an examination of the financial statements of the Port Authority in accordance with generally accepted auditing standards. The firm meets directly with the Audit Committee of the Board of Commissioners. Also performed as part of the annual examination is a study and evaluation of the system of internal accounting control. Both reports are included in the Comprehensive Annual Financial Report.

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting, for the third consecutive year, to The Port Authority of New York and New Jersey for its comprehensive annual financial report for the fiscal year ended December 31, 1986.

In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement Program requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

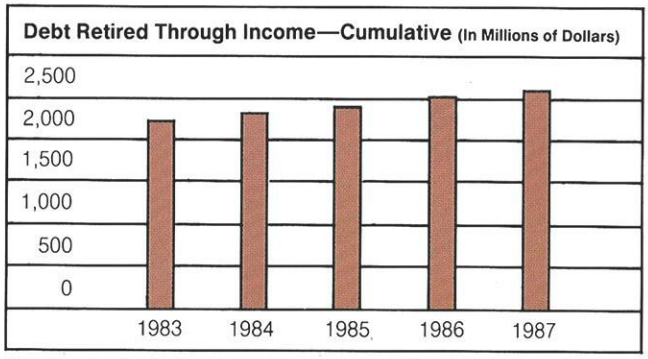
Executive Director

Chief Financial Officer

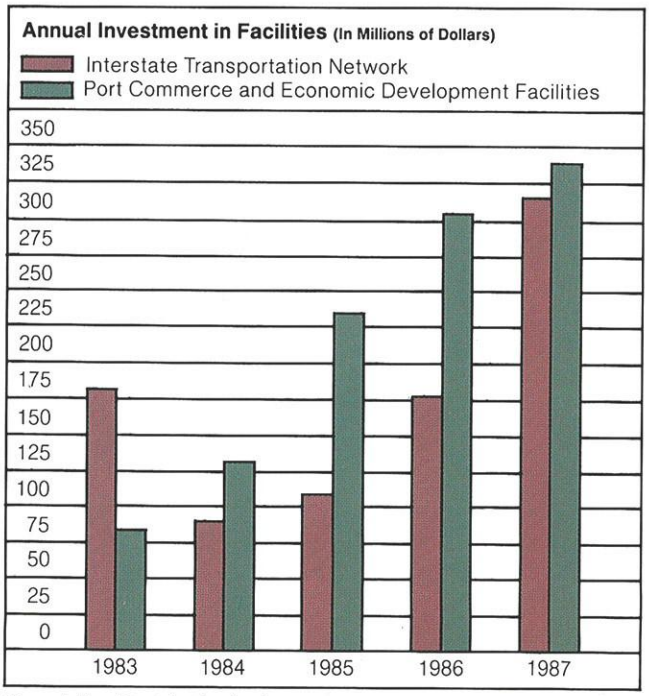
February 26, 1988

Selected Financial Information

Highlights	1987	1986
	(In Millions)	
Gross Operating Revenues	**$1,331**	$1,170
Net Operating Revenues	**338**	232
Net Revenues Available for Debt Service and Reserves	**403**	312
Debt Service Charged to Revenues and Reserves	**193**	186
Cumulative Invested in Facilities	**6,547**	5,877
Bonded Debt Outstanding, in accordance with Port Authority bond resolutions	**2,815**	2,856
General Reserve Fund	**293**	287
Consolidated Bond Reserve Fund	**468**	443



The Port Authority is a self-supporting agency which funds its operations and retires its debt through fares, fees, tolls and other charges.



Cumulative Port Authority investment totaled approximately $2.0 billion over the past five years. For the same period, outstanding debt increased by approximately $600 million.

Touche Ross & Co.
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Newark, NJ 07102-5311
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Touche Ross

November 25, 1987

Mr. John G. McGoldrick, Chairman
and Members of the Audit Committee of
The Port Authority of New York and New Jersey
New York, New York

We have made a study and evaluation of the system of internal accounting control of The Port Authority of New York and New Jersey in effect at October 31, 1987. Our study and evaluation was conducted in accordance with standards established by the American Institute of Certified Public Accountants and was performed concurrently with our examination of the Port Authority's financial statements for the year ending December 31, 1987.

Management of the Port Authority is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of the system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against losses from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles and, where appropriate, in accordance with the Port Authority's bond resolutions.

Because of inherent limitations in any system of internal accounting control, errors or irregularities may occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions, or that the degree of compliance with the procedures may deteriorate.

In our opinion, the Port Authority's system of internal accounting control in effect at October 31, 1987, taken as a whole, was sufficient to meet the objectives stated above insofar as those objectives pertain to the prevention or detection of errors or irregularities in amounts that would be material in relation to the Port Authority's financial statements.

Touche Ross & Co.

Certified Public Accountants

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Touche Ross

February 26, 1988

To the Board of Commissioners of
The Port Authority of New York and New Jersey

We have examined the consolidated statements of financial position of The Port Authority of New York and New Jersey and its subsidiary, Port Authority Trans-Hudson Corporation, as of December 31, 1987 and 1986, and the related consolidated statements of income and changes in financial position for the years then ended. We also have examined the financial information included in Schedules A through F. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements referred to above present fairly the financial position of The Port Authority of New York and New Jersey and its subsidiary as of December 31, 1987 and 1986, and the results of their operations and the changes in their financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis. The accompanying Schedules A through C have been prepared pursuant to the requirements of law and Port Authority bond resolutions. The accounting practices followed in the preparation of these schedules differ in some respects from generally accepted accounting principles as described in the Note A-9. In our opinion, Schedules A, B and C present fairly the consolidated assets and liabilities of the Authority at December 31, 1987 and the consolidated revenues and reserves for the year then ended in conformity with the accounting principles described in Note A-9 applied on a basis consistent with that of the preceding year.

Also, in our opinion, the supplementary information presented in Schedule D and the selected financial data for each of the years in the seven year period ended December 31, 1987 appearing in Schedule E, are fairly stated in all material respects in relation to the financial statements taken as a whole. In our opinion, Schedule F presents fairly the assets and liabilities of the New York State Commuter Car Program at December 31, 1987 and 1986, in conformity with the basis of accounting described therein, applied on a consistent basis.

Touche Ross & Co.

Certified Public Accountants

Touche Ross International

Consolidated Statement of Income

	Year Ended December 31,	
	1987	1986
	(In Thousands)	
Gross Operating Revenues (Note L)	**$1,331,438**	$1,169,586
Operating Expenses:		
Employee compensation, including benefits	**455,732**	433,840
Materials, equipment, supplies and contract services	**255,384**	227,822
Rents (primarily related to airport leases) and amounts in-lieu-of taxes	**145,559**	132,343
Heat, light and power	**67,169**	65,131
Other (Note K-5)	**79,086**	78,684
Total Operating Expenses	**1,002,930**	937,820
Depreciation on Facilities (Note B)	**138,706**	127,877
Amortization of Costs for Bus Programs	**30,687**	28,850
Income from Operations	**159,115**	75,039
Financial Income and Expense:		
Income on investments	**58,017**	75,283
Gain on purchase of Port Authority bonds in connection with current sinking fund requirements	**2,923**	1,489
Interest expense	**(138,354)**	(115,272)
Income Before Extraordinary Item	**81,701**	36,539
Extraordinary Item		
Gain on purchase of Port Authority bonds in connection with future sinking fund requirements	**2,312**	2,082
Net Income	**84,013**	38,621
Add: Depreciation on Assets Acquired with Government Contributions in Aid of Construction	**11,372**	9,605
Increase in Net Income Invested in Port Authority Facilities, Operations and Reserves	**95,385**	48,226
Balance, January 1	**1,833,314**	1,785,088
Net Income Invested in Port Authority Facilities, Operations and Reserves, December 31	**$1,928,699**	$1,833,314

See Notes to Consolidated Financial Statements.

Consolidated Statement of Financial Position

	December 31, 1987	December 31, 1986
	(In Thousands)	
Assets		
Facilities, at Cost (Note B)	**$5,976,572**	$5,387,969
Less Accumulated Depreciation on Facilities	**2,002,154**	1,870,263
Facilities, Net	**3,974,418**	3,517,706
Investments (Note C)	**829,208**	1,118,350
Cash (Note C)	**29,376**	20,232
Accounts Receivable (net of allowance for doubtful accounts of $11,024,000 in 1987 and $14,516,000 in 1986)	**69,572**	68,864
Other Amounts Receivable (net of allowance for doubtful accounts of $4,815,000 in 1987 and $6,285,000 in 1986)	**241,226**	219,461
Unamortized Costs for Bus Programs	**264,698**	247,642
Other Assets	**134,205**	98,167
Total Assets	**5,542,703**	5,290,422
Liabilities		
Bonds and Notes (Note D)	**2,759,160**	2,804,840
Commercial Paper Obligations (Note E)	**117,883**	17,240
Accounts Payable	**231,647**	188,539
Accrued Pension, Retirement and Other Employee Benefits (Note J)	**129,616**	123,550
Accrued Interest and Other Liabilities	**162,113**	124,691
Deferred Income	**12,323**	6,744
Total Liabilities	**3,412,742**	3,265,604
Net Assets	**$2,129,961**	$2,024,818
Net Assets are Composed of:		
Net Income Invested in Port Authority Facilities, Operations and Reserves	**$1,928,699**	$1,833,314
Government Contributions in Aid of Construction (Note G)	**201,262**	191,504
Net Assets	**$2,129,961**	$2,024,818

See Notes to Consolidated Financial Statements.

Consolidated Statement of Changes in Financial Position

	Year Ended December 31,	
	1987	1986
	(In Thousands)	
Funds Provided from:		
Net Income Before Extraordinary Item	**$ 81,701**	$ 36,539
Extraordinary Item	**2,312**	2,082
Net Income	**84,013**	38,621
Add- Income charges not affecting funds in the period:		
Depreciation on facilities	**138,706**	127,877
Amortization of costs for Bus Programs	**30,687**	28,850
Amortization of certain other assets	**22,518**	16,961
Funds provided by operations	**275,924**	212,309
Bonds and notes	**16,000**	200,000
Commercial paper obligations	**100,643**	88,805
Government contributions in aid of construction	**21,130**	31,699
Increase in accounts payable, accrued interest and other liabilities	**86,596**	47,948
Total Funds Provided	**500,293**	580,761
Funds Applied to:		
Cost of facilities	**595,418**	452,478
Retirement of bonds and notes	**61,680**	50,625
Repayment of commercial paper obligations	**—**	109,435
Costs for Bus Programs	**47,743**	27,801
Other net changes in other assets and deferred income	**52,977**	48,260
Increase in accounts receivable	**708**	23,400
Increase in other amounts receivable	**21,765**	16,635
Total Funds Applied	**780,291**	728,634
Net Increase (Decrease) in Cash and Investments	**($279,998)**	($147,873)

See Notes to Consolidated Financial Statements.

Note A–Summary of Significant Accounting Policies:

1. The Port Authority of New York and New Jersey, created in 1921 by compact between the two States with the consent of Congress, has no stockholders or equity holders; cash derived from operations and other cash received must be disbursed for specific purposes in accordance with provisions of various statutes and agreements with holders of its bonds and others. The costs of providing facilities and services to the general public on a continuing basis are recovered primarily in the form of fares, fees, tolls, rents and other user charges.

2. The financial statements and schedules include the accounts of the Port Authority and its wholly-owned subsidiary, Port Authority Trans-Hudson Corporation (PATH), consistent with the criteria set forth in the Codification of Governmental Accounting and Financial Reporting Standards, Section 2100, "Defining the Reporting Entity." In accordance with the provisions of law, Port Authority resolutions and agreements with others, and based upon the criteria contained in the Codification, the Port Authority does not have the ability to exercise oversight responsibility (as defined in the Codification) with respect to the Fund for Regional Development (see Note I) and the New York State Commuter Car Program (see Note F-4 and Schedule F) and, therefore, the assets and liabilities of the Fund for Regional Development and the New York State Commuter Car Program are not included in the Port Authority's financial statements.

3. Facilities are carried at cost and include the expenditure of Federal and State grants to acquire, construct, place in operation and improve the facilities of the Port Authority. Facility capital costs include net interest expense incurred from the date of issuance of the debt to finance construction until completion of the capital project. (See Note B and Note G.)

4. Investments in long-term securities, other than Port Authority bonds, are valued at amortized cost. Investments in short-term securities, other than Port Authority bonds, are valued at the lower of their aggregate amortized cost or market value.

Port Authority bonds purchased by the Port Authority serve to reduce debt on Bonds and Notes and are not included in investments. Interest expense and interest earnings relating to such Port Authority bonds purchased are not included in interest expense and income on investments. Bonds and Notes are shown net of unamortized discount and premium. Consistent with Financial Accounting Standard No. 64, Extinguishments of Debt Made to Satisfy Sinking Fund Requirements, gains on purchase of Port Authority bonds in connection with future sinking fund requirements (those scheduled to occur more than one year from date of purchase) are separately classified as an extraordinary item. (See Note C.)

5. Depreciation is computed on the straight-line method based on estimated useful lives of the related assets including those financed by government contributions. In distributing net income to net assets, a charge representing depreciation on assets acquired with contributions is made against the related contributions accounts. (See Note B and Note G.)

6. All expenditures for the Bus Programs are recorded as deferred charges and amortized over the estimated useful life of the buses (see Note K-1).

7. The revenues and expenses of facilities are accounted for in the operating fund. The financial resources expended for the construction or acquisition of major facilities or improvements thereto are accounted for in the capital fund. Transactions involving the application of net revenues are accounted for in the reserve funds pledged as additional security for bondholders (see Note F).

8. The Port Authority provides for uninsured potential losses through its self-insurance program by appropriations from the Consolidated Bond Reserve Fund to the operating fund and provides for losses by charging operating expenses as incurred.

9. Schedules A, B and C have been prepared in accordance with the requirements of law and Port Authority bond resolutions which differ in some respects from generally accepted accounting principles, as follows:

The Port Authority's bond resolutions provide that net operating revenues shall not include an allowance for depreciation on facilities. Thus, depreciation is not a factor in determining the net revenues and the reserves of the Port Authority or their application as provided in the Port Authority's bond resolutions. Instead, facility capital costs are provided for through deductions from net revenues and reserves of amounts equal to principal payments on debt or direct investment in facilities. These amounts are credited at par to Debt Retired Through Income and to Appropriated Reserves Invested in Facilities, respectively.

Expenditures for the Bus Programs are included in Invested in Facilities in accordance with Port Authority bond resolutions.

Port Authority bonds purchased by the Port Authority remain outstanding and are included in Investments and Bonds and Notes until retirement. Interest expense and interest earnings relating to such Port Authority bonds purchased are included as interest on bonds and notes and income on investments. Consolidated Bonds and Notes are recorded at par value. Commencing in 1987, discounts and premiums are capitalized at time of issuance. In the opinion of management, the cumulative effect of this change is not material to Schedules A, B and C.

Furthermore, to reflect the cumulative amount invested by the Port Authority since 1921 in connection with its facilities, the cost of assets removed from service is not deducted from Invested in Facilities.

A reconciliation of Schedules A and B to the Consolidated Statements follows:

Consolidated Statement of Income to Schedule A, Revenues and Reserves

	Year Ended December 31, 1987	1986
	(In Thousands)	
Net Income reported on Consolidated Statement of Income	$ 84,013	$ 38,621
Add: Depreciation on Facilities	138,706	127,877
Amortization of Costs for Bus Programs	30,687	28,850
Amortization of Discount and Premium	4,272	-
Claims Expense (See Note K-6)	9,674	-
Sub-Total	267,352	195,348
Less: Serial Maturities and Sinking Fund Retirements	54,475	55,992
Repayment of Commercial Paper Obligations	-	13,178
Debt Retirement Acceleration	2,800	-
Direct Investment in Facilities	176,656	80,656
Appropriations for Self-Insurance	2,929	4,260
Sub-Total	236,860	154,086
Increase in Reserves reported on Schedule A, Revenues and Reserves (Pursuant to Port Authority bond resolutions)	$ 30,492	$ 41,262

Consolidated Statement of Financial Position to Schedule B, Assets and Liabilities

	Year Ended December 31, 1987	1986
	(In Thousands)	
Net Assets reported on Consolidated Statement of Financial Position	$2,129,961	$2,024,818
Add: Accumulated Depreciation on Facilities	2,002,154	1,870,263
Accumulated Retirements	122,580	106,091
Cumulative Amortization of Costs for Bus Programs	165,756	135,069
Amortized Discount and Premium	4,272	-
Net Assets reported on Schedule B, Assets and Liabilities (Pursuant to Port Authority bond resolutions)	$4,424,723	$4,136,241

10. The 1986 financial statements contain certain reclassifications which have been made in order to conform to the classifications used in 1987.

Note B–Facilities:

Cost of facilities is composed of the following:

	December 31, 1987	1986
	(In Thousands)	
Completed Construction:		
Interstate Transportation Network	$1,454,623	$1,266,680
Air Terminals	1,806,286	1,696,182
Marine & Other Facilities	627,562	601,846
World Trade & Economic Development Facilities	1,157,147	1,109,390
	5,045,618	4,674,098
Construction in Progress	930,954	713,871
Facilities, at Cost	$5,976,572	$5,387,969

Asset lives used in the calculation of depreciation are generally as follows:

Tunnels and Bridges	100 years
Buildings	25 to 50 years
Runways and other paving	15 to 25 years
Machinery and equipment	5 to 35 years

Net interest expense added to cost of facilities was $36,860,000 in 1987 and $30,882,000 in 1986.

Note C–Cash and Investments:

1. The components of cash and investments are:

	December 31, 1987			December 31, 1986
	Principal Amount	Quoted Market	Book Value	Book Value
		(In Thousands)		
Cash				
Cash on hand			$ 1,191	$ 1,184
Demand Deposits			28,185	19,048
Total Cash			$ 29,376	$ 20,232
Investments				
Short-Term				
United States Treasury Bills	$194,950	$189,281	$189,144	$ 376,280
United States Treasury Notes	70,800	70,671	70,640	12,098
Total Short-Term	$265,750	$259,952	259,784	388,378
Long-Term				
Farmers' Home Administration (Department of Agriculture) Insured Notes	$ 11,000	$ 11,179	11,002	10,998
United States Treasury Bonds and Notes	546,000	544,657	545,345	699,561
Total Long-Term	$557,000	$555,836	556,347	710,559
Bonds of The Port Authority of New York and New Jersey	$ 39,259		39,259	32,284
Accrued Interest Receivable			13,077	19,413
Total Investments			868,467	1,150,634
Less: Bonds of The Port Authority of New York and New Jersey			39,259	32,284
Investments			$829,208	$1,118,350

2. The Board of Commissioners has authorized the deposit of funds in banks or banking institutions with offices located in the Port District provided that the total funds on deposit in any bank does not exceed 50 percent of the bank's combined capital and permanent surplus. Also, deposits must be fully secured to 110 percent of their amount by deposit of collateral for the amounts in excess of that part of the deposits secured through the Federal Deposit Insurance Corporation. The collateral must consist of obligations of the United States of America, the Port Authority, the State of New York or the State of New Jersey held in custodial bank accounts in banks or banking institutions having combined capital and surplus in excess of $1,000,000.

At December 31, 1987 and 1986, the amount of cash held in demand deposits was $28,185,000 and $19,048,000, respectively. Average daily balances were $8,644,000 in 1987. Of this amount, $5,603,000 was insured by either federal depository insurance or was fully collateralized by collateral held in the Port Authority's name either by the financial institutions or their agents, and $2,402,000 was fully collateralized by collateral held by the financial institutions or their agents not in the Port Authority's name. The remaining amount, $639,000, representing a portion of several newly-established accounts in one bank, was uncollateralized at December 31, 1987; these accounts were fully collateralized as of January 29, 1988.

3. The investment policies of the Port Authority are established in conformity with its agreements with the holders of its obligations, generally through resolutions of the Board of Commissioners or its Committee on Finance. Consistent therewith, proceeds from the sale of bonds or notes may be invested on an interim basis in obligations of (or fully guaranteed by) the United States and time accounts; reserve funds may be invested in obligations of (or fully guaranteed by) the United States, the State of New York or the State of New Jersey, time accounts, and Port Authority bonds actually issued and negotiated and secured by a pledge of the General Reserve Fund; operating funds may be invested in direct obligations of the United States, obligations of United States Government agencies and sponsored enterprises not backed by the full faith and credit of the United States. In addition, consistent with the resolutions of the Port Authority's Board of Commissioners or Committee on Finance, operating funds may also be invested in limited amounts of certain investment grade negotiable Certificates of Deposits, negotiable Bankers' Acceptances and Commercial Paper, and futures contracts traded on the Chicago Board of Trade for the sale and purchase of United States Treasury or municipal securities.

The Treasurer of the Port Authority executes individual investment transactions which are reported on a monthly basis to the Port Authority's Committee on Finance. These investment transactions are presently executed with recognized and established securities dealers and commercial banks. Securities transactions are conducted in the open market at competitive prices. The securities are held by the Port Authority's custodian in the name of the Port Authority and payment for all transactions is upon receipt of the securities.

Investments, including interest receivable, in various types of securities totalled $829,208,000 and $1,118,350,000 for the years ended December 31, 1987 and 1986, respectively. Although no investments in Bankers' Acceptances, Commercial Paper and Certificates of Deposits were held at year-end, investment balances in Bankers' Acceptances, Commercial Paper and Certificates of Deposits ranged as high as $52,000,000, $20,000,000 and $35,000,000 during the year, respectively.

Note D–Bonds and Notes:

1. The components of bonds and notes are:

		December 31, 1986	Issued	Refunded	Retired	December 31, 1987
				(In Thousands)		
Consolidated Bonds (A)*						
Eighth Series	3.40% due 1987	$ 5,000	$ —	$ —	$ 5,000	$ —
Tenth Series	3¾% due 1987	3,600	—	—	3,600	—
Twelfth Series	3⅜% due 1988	5,600	—	—	5,600	—
Fourteenth Series	3⅝% due 1989	8,250	—	—	2,750	5,500
Sixteenth Series	4¼% due 1989	3,750	—	—	1,250	2,500
Nineteenth Series	3½% due 1991	8,500	—	—	1,500	7,000
Twentieth Series	3¼% due 1993	15,750	—	—	2,100	13,650
Twenty-first Series	3.40% due 1993	11,250	—	—	1,500	9,750
Twenty-second Series	3⅜% due 1993	11,250	—	—	1,500	9,750
Twenty-third Series	3⅜% due 1994	12,625	—	—	1,375	11,250
Twenty-fourth Series	3½% due 1994	12,625	—	—	1,375	11,250
Twenty-sixth Series	3½% due 1995	20,125	—	—	2,100	18,025
Twenty-seventh Series	3⅜% due 1995	13,750	—	—	1,500	12,250
Twenty-eighth Series	3⅜% due 1996	16,000	—	—	1,500	14,500
Twenty-ninth Series	3½% due 1996	16,000	—	—	1,500	14,500
Thirtieth Series	3⅝% due 1998	15,250	—	—	1,250	14,000
Thirty-first Series	4% due 2002	78,000	—	—	4,000	74,000
Thirty-second Series	5% due 2003	81,000	—	—	3,000	78,000
Thirty-third Series	4¾% due 2003	81,000	—	—	3,000	78,000
Thirty-fourth Series	5½% due 2003	91,000	—	—	2,000	89,000
Thirty-fifth Series	6⅝% due 2005	94,500	—	—	1,500	93,000
Thirty-sixth Series	6.40% due 2005	47,250	—	—	750	46,500
Thirty-seventh Series	6% due 2006	96,000	—	—	1,500	94,500
Thirty-eighth Series	5⅜% due 2006	96,000	—	—	1,500	94,500
Thirty-ninth Series	5.80% due 2007	145,500	—	—	1,500	144,000
Fortieth Series	6% due 2008	98,000	—	—	1,000	97,000
Forty-first Series	5½% due 2008	98,000	—	—	1,000	97,000
Forty-second Series	8.20% due 2011	99,500	—	—	500	99,000
Forty-third Series	7% due 2011	49,750	—	—	250	49,500
Forty-fifth Series	6½% due 2012	75,000	—	—	375	74,625
Forty-sixth Series	6% due 2013	75,000	—	—	—	75,000
Forty-seventh Series	6½% due 2013	100,000	—	—	—	100,000
Forty-eighth Series	6¾% due 2014	75,000	—	—	—	75,000
Forth-ninth Series	10¼% due 2017	100,000	—	100,000	—	—
Fiftieth Series	10⅛% due 2017	100,000	—	—	—	100,000
Fifty-first Series	11% due 2019	100,000	—	14,240	—	85,760
Series Fifty-one E (B)	12% due 2014	—	14,240	—	—	14,240
Fifty-second Series (C)	9% due 2014	100,000	—	—	—	100,000
Fifty-third Series	8.70% due 2020	100,000	—	—	—	100,000
Fifty-fourth Series (D)	7% due 2020	100,000	—	—	—	100,000
Fifty-fifth Series (E)	6¾% due 2020	200,000	—	—	—	200,000
Fifty-sixth Series	7⅛% due 2021	100,000	—	—	—	100,000
Fifty-seventh Series	6¾% due 2021	100,000	—	—	—	100,000
Fifty-eighth Series	7½% due 2017	—	100,000	—	—	100,000
		2,659,825	114,240	114,240	57,275	2,602,550
Consolidated Notes (A)						
Series HH	7¾% due June 1, 1987	100,000	—	100,000	—	—
Series KK	5.2% due May 1, 1989	—	100,000	—	—	100,000
Series LL	5% due August 1, 1988	—	10,000	—	—	10,000
Series MM	5% due September 1, 1988	—	1,000	—	—	1,000
Series NN	5.8% due November 1, 1988	—	5,000	—	—	5,000
		100,000	116,000	100,000	—	116,000
Special Project Bonds (F)						
Series 1, Delta Air Lines, Inc. Project:						
First Installment	10½% due 2002	10,015	—	—	—	10,015
Second Installment	10½% due 2008	86,485	—	—	—	86,485
		96,500	—	—	—	96,500
Total Bonds and Notes in accordance with Port Authority bond resolutions		2,856,325	$230,240	$214,240	$57,275	2,815,050
Less: Amortized cost of Port Authority bonds purchased by the Port Authority		32,284				39,259
Unamortized discount and premium (G)		19,201				16,631
Bonds and Notes		$2,804,840				$2,759,160

*** Parenthetical references are to Note D-2.**

2. As noted in D-1.

(A) All Consolidated Bonds and Consolidated Notes are equally and ratably secured by a pledge of the net revenues of all existing facilities and any additional facilities which may be financed or refinanced in whole or in part through the medium of Consolidated Bonds (see Note F).

(B) Bear interest of 12% per annum until June 1, 1994, and 7% per annum thereafter until maturity or prior redemption.

(C) Subject to an annual option, commencing on November 1, 1994, and on each November 1 thereafter, of the registered holder to exercise a one-time election to convert to a variable interest rate, ranging from 8% to 12% per annum.

(D) Subject to a semi-annual option, commencing on December 1, 1988, and on each June 1 and December 1 thereafter, of the registered holder to exercise a one-time election to convert to a variable interest rate, ranging from 5% to 10% per annum.

(E) Subject to a semi-annual option, commencing on December 1, 1988, and on each June 1 and December 1 thereafter, of the registered holder to exercise a one-time election to convert to a variable interest rate, ranging from 5% to 9 1/2% per annum.

(F) Each series of Special Project Bonds is to be secured solely by a mortgage by the Port Authority of facility rental as set forth in a lease with respect to a project to be financed with the proceeds of bonds, by a mortgage by the lessee of its leasehold interests under the lease and by a security interest granted by the lessee to the Port Authority and mortgaged by the Port Authority in certain items of the lessee's personal property to be located at the project, and such other security in addition to the foregoing as may be required by the Port Authority from time to time as appropriate to the particular project. Consistent therewith, Delta Air Lines has also agreed that it shall pay the debt service on the Series 1 Bonds as a separate and independent covenant from its obligation to pay facility rental. (See Note F-3.)

(G) Gain on futures contracts transactions has been classified as premium.

3. Five-year amortization of Bonds and Notes (see Note D-1) outstanding on December 31, 1987 is:

Year Ending December 31:	Principal (In Thousands)
1988	$ 65,308
1989	153,320
1990	55,799
1991	59,153
1992	63,248
	$396,828

4. On February 3, 1988, the Port Authority sold $100,000,000 Consolidated Bonds, Fifty-ninth Series, Due 2023, bearing interest at the rate of 7¾% per year. (See Note E-2.)

Note E-Financing:

The Port Authority finances construction and acquisition of its facilities primarily by issuing bonds, notes and other obligations. Details of Bonds and Notes and their amortization are described in Note D and Schedule D.

1. Commercial Paper Notes are special obligations of the Port Authority authorized to be issued for purposes of payment for capital expenditures in connection with the facilities of the Port Authority specified in the Commercial Paper Resolution and for the refunding of Commercial Paper Notes. Commercial Paper Notes may not have a maturity date later than December 31, 1990. To assist in providing program liquidity in the event the Commercial Paper Notes cannot be refunded at maturity due to market conditions, a stand-by revolving credit facility in the principal amount of up to $150,000,000 is provided by a group of banks and trust companies. These stand-by revolving credit facilities, subject to the fulfillment of certain conditions and unless sooner revoked or terminated in accordance with its provisions, expires on December 31, 1990. In addition, a separate bank line of credit in the amount of $15,000,000 permits accumulation of the capital expenditures to be funded by the issuance of Commercial Paper Notes. The total aggregate principal amount of Commercial Paper Notes and advances under the credit facilities described above which may be outstanding at any one time may not be in excess of $150,000,000.

On January 7, 1988, the Port Authority further amended and supplemented this program for Commercial Paper Notes (and other obligations to be issued under this program) issued on and after an effective date anticipated to occur on or about February 29, 1988 and until December 31, 1990, to increase to $300,000,000 the aggregate principal amount of obligations which may be outstanding at any one time. This amendment and supplement provides for the establishment and the authorization of the issuance of two separate series of commercial paper obligations, each including Commercial Paper Notes, a bank line of credit in the amount of $15,000,000 to permit accumulation of capital expenditures which would periodically be refunded by Commercial Paper Notes, and a bank stand-by revolving credit facility in the principal amount of up to $150,000,000 to provide program liquidity in the event Commercial Paper Notes cannot be refunded at maturity due to market conditions. Each series of commercial paper obligations would be limited to a maximum aggregate principal amount outstanding at any one time of $150,000,000. Commercial Paper Notes issued prior to the effective date provided in the January 7, 1988 amendment and supplement would continue to be subject to the prior November 14, 1985 amendment and supplement.

Under the terms of the commerical paper program as amended and supplemented, the payment of the principal of and interest on Commercial Paper Notes (not

paid by subsequently issued Commercial Paper Notes) and advances under the stand-by revolving credit facilities and under the bank lines of credit is to be made from the proceeds of obligations issued for such purpose, including Consolidated Bonds issued in whole or in part for such purpose or from net revenues (as defined for purposes of the commercial paper program) and, in the event such proceeds or net revenues are insufficient therefore, from other moneys legally available for such payments when due. Payment of the principal of and interest on these special obligations is subject in all respects to the payment of debt service on Consolidated Bonds, as required by the applicable provisions of the Consolidated Bond Resolution, to the payment into the General Reserve Fund of the amount necessary to maintain such Fund at the amount specified in the General Reserve Fund statutes, and to applications to purposes authorized by the Consolidated Bond Resolution.

The Commercial Paper Notes, and the interest thereon, and advances under the stand-by credit facilities and under the bank lines of credit, and the interest thereon, are not secured by or payable from the General Reserve Fund.

Commercial paper obligations outstanding at December 31, 1986, including $2,310,000 accumulated under the bank line of credit, amounted to $17,240,000. During the period January 1, 1987 through December 31, 1987, sales of Commercial Paper Notes, exclusive of refundings, totalled $101,074,000. At December 31, 1987, commercial paper obligations outstanding, including $1,879,000 accumulated under the bank line of credit, totalled $117,883,000. As of February 26, 1988, commercial paper obligations outstanding totalled $94,930,000.

2. On April 9, 1987, the Board of Commissioners established and authorized the issuance and sale by the Committee on Finance of various series of Consolidated Bonds and Notes. The following authorizations remained outstanding at December 31, 1987:

Series		Authorization Expires	Maximum Interest Rate Per Annum	Due Date	Authorized Amount
59th	(Bonds)	December 31, 1988	12%	September 1, 2022	$200,000,000
60th	(Bonds)	December 31, 1988	12%	October 1, 2022	200,000,000
61st	(Bonds)	December 31, 1988	12%	December 1, 2022	200,000,000
62nd	(Bonds)	December 31, 1988	12%	March 1, 2023	200,000,000
63rd	(Bonds)	December 31, 1988	12%	June 1, 2023	200,000,000
64th	(Bonds)	December 31, 1988	12%	September 1, 2023	200,000,000
65th	(Bonds)	December 31, 1988	12%	December 1, 2023	200,000,000
OO	(Notes)	December 31, 1988	12%	April 1, 1991	100,000,000
PP	(Notes)	December 31, 1988	12%	September 1, 1991	100,000,000

The maximum aggregate principal amount of Bonds of these series which may be sold is $900,000,000, and the maximum aggregate principal amount of Notes of these series which may be sold is $184,000,000. (See Note D-4.)

3. The Board of Commissioners has authorized a program of lease-financing transactions to be known as the "Port Authority Operating Equipment-Lease Financing Program" to facilitate the purchase of portions of operating equipment for use at the Port Authority's facilities (see Note A-7), with the aggregate principal amount financed at any one time not to exceed $50,000,000. Lease-financing transactions under this program may be entered into until June 30, 1990. The arrangement with the initial lessor-investor provides for a variable interest rate on the lease transactions equal to 60 percent of the Bank of America's reference rate for the initial lease transaction and 58 percent of such reference rate on all subsequent transactions, with each lease to extend for the useful life of the equipment, title to which is to be held by the Port Authority. The aggregate principal amount of all transactions under the program was $24,608,000 as of December 31, 1987 and $10,000,000 as of December 31, 1986.

Note F–Reserves:

1. The General Reserve Fund statutes provide for the Port Authority to maintain the General Reserve Fund in an amount equal to at least 10 percent of outstanding bonds legal for investment as defined in the statutes, except for New York State Guaranteed Commuter Car Bonds described in Note F-4. At December 31, 1987, the General Reserve Fund balance was $293,294,000 and met the prescribed statutory amount. The Port Authority has established the policy of maintaining total reserve funds in an amount equal to at least the next two years' debt service on outstanding debt secured by a pledge of the General Reserve Fund. (See Note C-3.)

At December 31, 1987, the Port Authority met the requirements of the Consolidated Bond Resolution to maintain total reserve funds in cash and specified marketable securities.

2. All net revenues of the Port Authority's existing facilities (cars acquired under the New York State Commuter Car Program are not included in "facilities of the Port Authority"), after deducting payments for debt service upon all Consolidated Bonds and such amounts as may be required to maintain the General Reserve Fund at its statutory amount, are to be paid into the Consolidated Bond Reserve Fund. Consolidated Bonds have a first lien upon the net revenues of said facilities of the Port Authority and any additional facility financed by Consolidated Bonds.

3. On June 9, 1983, the Port Authority established an issue of special limited obligations known as Special Project Bonds. Neither the full faith and credit of the Port Authority nor the General Reserve Fund or the Consolidated Bond Reserve Fund are pledged to the payment of the principal of and interest on Special Project Bonds. (See Note D-1.)

4. New York State Guaranteed Commuter Car Bonds are secured by the net revenues of the Port Authority

arising out of the lease of commuter railroad cars by the Port Authority to railroads in New York. Commuter Car Bonds are not secured by any other revenues, reserves or assets of the Port Authority, are not general obligations of the Port Authority and are not secured by the full faith and credit of the Port Authority. In the event that lease revenues are not sufficient to provide for scheduled payment of principal and interest, the punctual payment of debt service is fully and unconditionally guaranteed by the State of New York. New York State Guaranteed Commuter Car Bonds outstanding at December 31, 1987 totalled $89,575,000. (See Schedule F.)

Note G–Government Contributions in Aid of Construction:

The Port Authority receives contributions in aid of construction for capital purposes from government agencies. Federal funding from the Airport Improvement and the Airport Development Aid Programs was $20,711,000 in 1987 and $29,420,000 in 1986. Federal funding received through others totalled $419,000 in 1987 and $2,279,000 in 1986.

Charges representing depreciation on assets relating to government contributions were $11,372,000 in 1987 and $9,605,000 in 1986.

	December 31,	
	1987	1986
	(In Thousands)	
Cumulative Government Contributions	$316,090	$294,960
Less: Accumulated Depreciation on Assets Acquired With Government Contributions	114,828	103,456
	$201,262	$191,504

Note H–Lease Commitments:

1. Gross operating revenues attributable to minimum rentals associated with operating leases amounted to approximately $405,581,000 in 1987 and approximately $352,442,000 in 1986. Gross operating revenues include rental income of $8,200,000 in 1987 and $13,403,000 in 1986 from the State of New York for office and other space in the World Trade Center, and $17,375,000 in 1987 and $11,523,000 in 1986 of rental income from the Fund for Regional Development for office and other space vacated by the State of New York (see Note I).

2. Property Held for Lease

The Port Authority has entered into operating leases with tenants for the use of space at various Port Authority facilities including buildings, terminals, offices and consumer service areas at air terminals, marine terminals, bus and truck terminals, rail facilities, industrial parks, the Teleport and the World Trade Center.

Minimum future rentals scheduled to be received on operating leases in effect on December 31, 1987 are:

Year Ending December 31:	(In Thousands)
1988	$ 350,182
1989	319,501
1990	297,143
1991	271,678
1992	251,966
Later Years	2,483,071
Total Minimum Future Rentals	$3,973,541

Investments in air terminals, marine terminals, bus and truck terminals, rail facilities, industrial parks, the Teleport, and the World Trade Center, as of December 31 include property associated with minimum rentals derived from operating leases (see Note B). It is not reasonably practicable to segregate the value of assets associated with producing minimum rental revenue from the value of assets associated with an entire facility.

3. Property Leased From Others

Rental expenses under leases, including payments to the cities of New York, Newark and Hoboken for various air terminals, marine terminals and other facilities, aggregated $114,044,000 in 1987 and $104,028,000 in 1986. The lease terms expire at various times from 1988 to 2031 and may be renewed for additional periods. Minimum future rentals scheduled to be paid on operating leases in effect on December 31, 1987 are detailed below and additional rentals may be payable based on earnings of specified facilities under some of these leases.

Year Ending December 31:	(In Thousands)
1988	$ 22,337
1989	23,564
1990	24,687
1991	25,818
1992	25,724
Later Years	814,753
Total Minimum Future Rentals	$936,883

4. Safe Harbor Lease Transaction

PATH entered into commitment agreements effective as of August 29, 1986, with respect to future safe harbor lease transactions with a lessor in connection with the rehabilitation of 248 PATH rail cars and purchase of 95 new PATH rail cars, respectively. The proceeds received from the safe harbor lessor with respect to the sale of such equipment, which sale is for tax purposes only, will be used to reduce the capital investment of the project. The safe harbor lease was initially executed December 23, 1986 with respect to 25 of the new PATH rail cars for an aggregate purchase price which included a lump sum cash payment of $4,900,000. In 1987, safe harbor leases were executed with respect to 161 rehabilitated PATH rail cars and 70 new PATH rail cars and resulted in lump sum cash payments of $23,598,000.

Note I–Fund For Regional Development:

In connection with the development of the World Trade Center, commencing in 1970, the Port Authority leased approximately two million square feet in the south tower building to the State of New York under a five-year lease with renewal options.

As of January 1, 1983, following the decision of the State of New York to move out of its space in Two World Trade Center and to relocate elsewhere, the States of New York and New Jersey and the Port Authority entered into a tripartite agreement which created the Fund for Regional Development (Fund).

Under the tripartite agreement, as space is vacated, it is leased to the Fund. The Fund's gross revenues result from subleasing that space to tenants at market rates. Net revenues of the Fund are the difference between market rents paid by new tenants of the space and a lower base rent and common costs which would have been paid to the Port Authority by the State of New York for said space after deduction of certain agreed-to costs, including the Fund's payments to the Port Authority for amounts which the Port Authority would have received from the State of New York had the State continued to occupy the space under its lease agreement. The tripartite agreement provides that expenditures from the Fund shall not be made without the express consent of the Governors of both States or their designees.

The Fund's assets and liabilities, revenues, expenses and reserves are not consolidated with those of the Port Authority and are excluded from all Port Authority financial statements (see Note A-2). Net revenues of the Fund are not pledged under the General Reserve Fund statutes, the Consolidated Bond Resolution or the resolutions creating various special limited obligations of the Port Authority (see Note F-1). Net Revenues are accumulated subject to disbursements to be made upon the concurrence of the Governors of New York and New Jersey for purposes authorized pursuant to the 1962 World Trade Center-PATH legislation. In addition, Fund resources could be used for any other purposes authorized in future bi-State legislation.

As of December 31, 1987, the State of New York had vacated 1,725,909 square feet of its original lease and is expected to vacate the remaining 405,791 square feet over the next several years. The Fund, as of December 31, 1987, has signed subleases with tenants committing 46.5 floors in the south tower building and 61,566 square feet of sub-grade space, totalling approximately 1,954,078 square feet.

The Fund for Regional Development remitted $17,375,000 in 1987 and $11,523,000 in 1986 to the Port Authority for rental of space that had been vacated by the State of New York (see Note H-1). From time to time, the Port Authority has advanced moneys to the Fund for payment of certain of the Fund's obligations. The Port Authority expects to continue to make these advances in the future. It is expected that the future revenues of the Fund will be more than sufficient to repay these advances as provided in the tripartite agreement and enable the Fund to meet its obligations without Port Authority advances. The outstanding balance of advances to the Fund was $75,028,000 as of December 31, 1987 and $43,331,000 as of December 31, 1986, and is included in Other Amounts Receivable on the Port Authority's Consolidated Statement of Financial Position.

The following is a summary of the operations and financial position of the Fund for Regional Development at December 31, 1987, and December 31, 1986:

FUND FOR REGIONAL DEVELOPMENT
STATEMENT OF INCOME

	Year Ended December 31	
	1987	1986
	(In Thousands)	
Revenues	$49,481	$24,849
Operating Expenses	37,960	21,968
Income from Operations	11,521	2,881
Financial Income	403	441
Financial Expense	(7,299)	(4,579)
Net Income (Loss)	$ 4,625	($ 1,257)

STATEMENT OF FINANCIAL POSITION

	Year Ended December 31,	
	1987	1986
	(In Thousands)	
Assets	$158,252	$151,335
Liabilities	150,656	148,364
Net Assets	$ 7,596	$ 2,971

Note J–Pension and Retirement Plans and Related Benefits:

1. Employees of the Port Authority are covered by the Social Security Act and by one of two cost-sharing multiple-employer public employees' retirement systems: the New York State and Local Employees' Retirement System (ERS) or the New York State and Local Police and Fire Retirement System (PFRS). The ERS was established in 1921 while the PFRS was established in 1967, and the systems are governed by the New York Retirement and Social Security Law. The New York State Constitution provides that membership in a pension or retirement system of the State or of a civil division thereof is a contractual relationship, the benefits of which may not be diminished or impaired. As a general rule, all full-time employees (except those individuals who are currently receiving a pension from any retirement system on the basis of employment with New York State or any public entity in the state) are eligible to join one of the two public employees' retirement systems. All police personnel are required to become members of the PFRS imme-

diately upon employment. All other employees of the Port Authority appointed to full-time positions are required to become members of the ERS.

The ERS and the PFRS provide retirement benefits related to years of service and final average salary, death and disability benefits, vesting of benefits after a set period of credited service, and optional methods of benefit payment. There are four ERS "tiers" of membership and two PFRS "tiers," related to date of initial membership; provisions for each tier differ as to the qualifying age or years-of-service requirement for service retirement, the benefit formula used in calculating the retirement allowance, the date of membership and the contributory or non-contributory nature of the plan. Generally, an employee has the right to a vested benefit after ten or more years of credited service.

Contributions are not required from police personnel or from those non-police employees who joined the ERS prior to July 27, 1976. Non-police personnel who became members of the ERS on July 27, 1976 and thereafter are presently required to contribute three percent of their annual gross wages. In May of each year, the ERS and PFRS bill participating employers for their share of total contributions based on salaries paid during the fiscal year ended March 31 of the prior year. In 1987, Port Authority contributions to the two retirement systems totalled $37,594,000 for salaries of approximately $262,233,000 for the year ended March 31, 1986; these contributions represented approximately 14% of the Port Authority covered payroll for the year ended March 31, 1986. Information is not available for the percentage of which Port Authority contributions represent of the amounts billed by the two retirement systems for this period, but for the last period that this information is available, the Port Authority's contributions to the two systems amounted to approximately 3.5% of the total amount billed by the two systems to participating employers. The Port Authority has accrued $65,371,000 for the estimated contributions due the retirement systems for the period April 1, 1986 through December 31, 1987. This amount is included in Accrued Pension, Retirement and Other Employee Benefits in the Consolidated Statement of Financial Position.

Governmental Accounting Standards Board Statement No. 5 requires employers participating in a cost-sharing multiple-employer public employees retirement system to disclose certain information which the standard requires the system itself to disclose. Therefore, information has been extracted from the 1987 Report of the New York State and Local Retirement Systems. In the Combined Financial Statements for the fiscal year ending March 31, 1987 contained in the 1987 Report of the New York State and Local Retirement Systems, the systems disclose in Note 5, Credited Projected Benefits Data, that the "pension benefits obligation" shown below is the actuarial present value of credited projected benefits. It is the standardized disclosure measure prepared in accordance with Governmental Accounting Standards Board Statement No. 5, namely the present value of pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of employee service to date.

Also disclosed in Note 5, as of March 31, 1987, the assets in excess of pension benefit obligation were $7,338 million as follows:

	(In Millions)
Total pension benefits obligation	$30,902
Net assets available for benefits	38,240
Assets in excess of pension benefit obligation	$ 7,338

Furthermore, the systems also reported in Note 5 that the Comptroller, upon the recommendation of the Actuary, adopted certain new actuarial assumptions as of April 1, 1986. The effect on the pension benefit obligation during fiscal year ended March 31, 1987, due to changes in actuarial assumptions and benefits as disclosed by the systems was:

	Increase in Pension Benefit Obligation	
Changes	ERS	PFRS
	(In Millions)	
Actuarial Assumptions	$60	($220)
Benefits	$70	—

In addition, in Note 6, Funding Policy, the systems disclosed that the actuarial cost method used "to determine the annual contributions from employers is the aggregate cost method. Under this method, the Actuarial Value of Assets and the Actuarial Present Value of Projected Benefits (actuarial liabilities) are determined by the actuary. The excess of the actuarial liabilities over the actuarial assets is funded by employers as a level percentage of salary over the current members' future working lifetimes."

The actuarial assumptions, calculation of total benefit obligation, valuation methods, and ten year historical trend information on the ERS and the PFRS is available in the 1987 Report of the New York State and Local Retirement Systems as of March 31, 1987, available from the Comptroller of the State of New York, Albany, N.Y.

Port Authority Trans-Hudson Corporation (PATH) employees are covered by the provisions of the Railroad Retirement Act administered by the United States Railroad Retirement Board and by supplemental pension plans established by PATH.

In order to make pension benefits provided for PATH exempt employees (those not covered by collective bargaining agreements) generally comparable to those available to Port Authority employees, a non-contributory, supplemental pension plan was authorized by PATH on August 6, 1964 and amended from time to time thereafter. A liability account has been established by the Port Authority to accrue for the payment of future pension benefits for the

PATH Exempt Employees' Supplemental Pension Plan. Review of the level of this unfunded pension liability is performed annually. At December 31, 1987, the balance of this liability was $3,936,000.

PATH also has entered into collective bargaining agreements with various unions under which PATH funds non-contributory supplemental pension plans for union employees. Trustees, appointed by the various unions, are responsible for the administration of these pension plans. In 1987, monthly payments made by PATH in accordance with the terms of various collective bargaining agreements totalled $1,330,000. PATH employees active on or after March 1, 1982, who are members of a collective bargaining unit are automatically plan members of these defined contribution plans. Newly hired employees become plan participants after a 60 day probationary period. Eligibility for all benefits prior to normal retirement requires the completion of at least ten years of vested service. The pension amount depends on the employee's years of credited service (up to a maximum of 30) and the monthly benefit rate in effect at the time of retirement.

2. The Port Authority and PATH provide certain health care and life insurance benefits for active employees and for employees who have retired from the Port Authority or PATH (and for eligible dependents and survivors of active and retired employees). Contributions towards the costs of some of these benefits are required of certain active and/or retired employees. Those benefits are provided through insurance companies whose premiums are based on the benefits paid during the year, or through plans under which benefits are paid directly by the Port Authority or PATH. Prior to 1985 the cost of these benefits was recognized as an expense of the period in which such premiums or benefit claims were paid. Beginning in 1985, the cost of these benefits also includes an annual accrual in the amount of $10,000,000 for the prior service costs of these benefits for retired and active employees and their dependents. These accruals are to be made each year, on a consistent basis, until this amount is fully recognized. As of March 31, 1985, the actuarially determined present value of future benefits for prior service by active and retired employees and their dependents, to be paid after retirement, totalled $142,000,000. The actuarially determined valuation is to be reviewed periodically for the purpose of adjusting the annual accruals.

The cost of providing health care and life insurance benefits, excluding the $10,000,000 accrual for prior service costs in each year, totalled approximately $37,744,000 in 1987 and $31,953,000 in 1986. The cost of providing these benefits for retired employees, who comprise approximately 29 percent of those covered by one or more of these plans, is not separable from the cost of providing similar benefits for active employees of the Port Authority and PATH.

3. Effective October 1, 1985, the Port Authority and PATH began to offer certain eligible employees a deferred compensation plan created in accordance with Section 457 of the Internal Revenue Code of 1954, as amended. The plan permits participants to defer a portion of their salary until future years. Amounts deferred are generally not available to employees until termination of employment, retirement, death, or unforeseeable emergency.

The Port Authority has appointed the New York State Deferred Compensation Board as the exclusive agent for the Port Authority and PATH, to exercise on its behalf the powers conferred by the deferred compensation plan.

All amounts deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the participating employee or other beneficiary) solely the property and rights of the Port Authority or PATH (without being restricted to the provisions of benefits under the plan), subject to claims of the general creditors of either. Participants' rights under the plan are equal to those of general creditors in an amount equal to the fair market value of each participant's account.

Deferred compensation plan assets of approximately $14,649,000 in 1987 and $7,377,000 in 1986 are included at market value in Other Assets and the liability to participants is included in Accrued Pension, Retirement and Other Employee Benefits in the Consolidated Statement of Financial Position.

Note K-Commitments and Certain Charges to Operations:

1. The Port Authority was authorized, pursuant to legislation effective March 1, 1979, as amended effective January 7, 1982, to allocate, subject to appropriate certifications pursuant to Port Authority bond resolutions and to bi-state legislation, up to $440,000,000 for mass transportation projects consisting of buses and other bus related facilities, with up to $220,000,000 to be allocated in each of the States of New York and New Jersey. The appropriate certifications were made by the Authority in 1979, and in May 1982. As of December 31, 1987, the Port Authority had agreed to purchase 2,899 buses and related spare parts at a cost of approximately $438,300,000 to be used under the Bus Programs in the States of New York and New Jersey. A total of 2,851 buses were delivered by that date. The remaining balance of the programs, totaling $1,700,000, is expected to be completed in accordance with schedules established at the request of the two States.

The Port Authority is not permitted to incur operating or maintenance expenses in connection with its pro-

grams to provide buses and bus related facilities and the Port Authority does not expect to derive any revenue from this investment. Further, the lessee is required to defend and to provide for indemnification, subject to appropriations or other funds which are or become legally available for this purpose, of the Port Authority against any liability by reason of the programs.

2. Effective April 12, 1987, the PATH fare was increased from 75 cents per passenger trip to $1.00 per passenger trip. In addition, the tolls schedules were increased for the six tunnel and bridge facilities effective April 12, 1987. The significant revisions included an increase in passenger automobile tolls from $2.00 to $3.00, bus tolls from $2.00 to $3.00 and truck tolls from $1.50 per axle to $3.00 per axle.

3. The Port Authority is now engaged in providing various capital improvements to certain of its existing facilities, and has undertaken studies for other such improvements and for other new construction and acquisitions, which are expected to require additional financing, including the issuance of bonds by the Port Authority. These include, but are not limited to, completion of Terminal C at Newark International Airport, redevelopment at Newark and Kennedy International Airports, central terminal building and roadway modifications at LaGuardia Airport, capital improvements related to safety, maintenance, rehabilitation and improvement at the PATH system, the Oak Point Rail Freight Link, industrial development projects and facilities including Industrial Parks in Elizabeth and Newark, New Jersey and Yonkers, New York, the Essex County Resource Recovery facility, a center for commercial fishing at the Erie Basin-Port Authority Marine Terminal, port channel deepening and widening, the Newark Legal and Communications Center, and an imported automobile marine terminal. The Port Authority is presently participating, either directly or with the assistance of outside consultants, in evaluating, with appropriate government officials and agencies of both States, mixed use waterfront development projects; a regional development "bank" to be used as a vehicle for the authorization and effectuation of capital improvement projects; development of foreign trade zones and distribution centers; a project which would include a Center for Advanced Technology in Telecommunications, in Brooklyn, New York; and activities to ease the burdens on and improve access to trans-Hudson transportation facilities, including the potential institution of ferry service.

In order for the Port Authority to undertake some of the projects noted above, appropriate legislative authorization would be required and such projects could, if undertaken, involve capital expenditures by the Port Authority; however, no Port Authority capital funds are committed to capital projects without appropriate certifications and authorizations.

At December 31, 1987, approximately $396,333,000 of construction was expected to be completed within the next three years pursuant to various contracts entered into by the Port Authority.

Capital expenditures during the year 1988 are anticipated to be approximately $759,038,000, including a portion of the allocations related to the contracts and programs described above, as well as the other ongoing capital construction programs of the Port Authority.

4. It is expected that costs of construction and operation of Port Authority facilities will continue to increase and that increases from time to time will continue to be necessary in the Port Authority's fares, fees, tolls, rentals and other charges, or that reductions in services and associated expenditures will occur, so that the cost of Port Authority operations and debt service and reserves will continue to be provided for in accordance with financial requirements and agreements with holders of Port Authority bonds or other obligations.

5. Other expenses of $79,086,000 in 1987 and $78,684,000 in 1986 include amounts for insurance, telephone, payment of interest on Special Project Bonds, and certain other operating, development and administrative expenses. (See Note K-6.)

6. In 1980, a fire destroyed Pier B at the Hoboken Port Authority Marine Terminal. Substantially all assets destroyed by the fire were insured for their replacement value. In 1984, insurance proceeds of $7,500,000 were received, which exceeded the unamortized value of Pier B by $7,072,000 and which were included as an extraordinary item on the 1984 Consolidated Statement of Income. In December, 1986, the City of Hoboken (the City) filed a cross-claim of an action previously filed by a citizens group against the Port Authority. The cross-claim sought an accounting of the insurance proceeds by the Port Authority and payment of the insurance proceeds to the City. In July, 1987, the Superior Court of New Jersey ruled that the City was entitled to and should be paid insurance proceeds of approximately $9,674,000 (original insurance proceeds and interest earnings), less $1,500,000 advanced by the Port Authority to the City for the acquisition of the facility by the City, in January 1984, from the United States. Although the judgment has been stayed pending appeal, the Port Authority provided $4,700,000 of this amount to the City and has waived any claim to these funds. The unpaid portion of the judgment has been accrued in Accrued Interest and Other Liabilities in the Consolidated Statement of Financial Position. The total claims expense of $9,674,000 is included in Other Expenses.

Note L–Information on Port Authority Operations by Operating Segment:

1. Operating Results

Gross Operating Income (Loss) consists of Revenues from Operations less operating and maintenance expenses, depreciation and amortization on Bus Programs. General Administrative and Development Expenses, Financial Income, and Interest Expense are not considered in calculating Gross Operating Income (Loss).

	Interstate Transportation Network	Air Terminals	Marine & Other Facilities	World Trade & Econ. Dev. Facilities	Combined 1987	Combined 1986
		(In Thousands)				
1987						
Gross Operating Revenues	$ 406,697	$591,368	$79,860	$253,513	$1,331,438	
Interdepartmental Revenues	2,485	—	807	45,091		
Revenues from Operations	$ 409,182	$591,368	$80,667	$298,604		
Gross Operating Income (Loss)	$ 75,590	$131,476	$10,535	$105,866	$ 323,467	
General Administrative and Development Expenses	(86,354)	(49,339)	(7,739)	(20,920)	(164,352)	
Income from Operations	($ 10,764)	$ 82,137	$ 2,796	$ 84,946	159,115	
1986						
Gross Operating Revenues	$ 290,401	$564,807	$79,354	$235,024		$1,169,586
Interdepartmental Revenues	2,298	—	660	42,687		
Revenues from Operations	$ 292,699	$564,807	$80,014	$277,711		
Gross Operating Income (Loss)	($ 19,623)	$129,437	$ 9,310	$106,341		$ 225,465
General Administrative and Development Expenses	(71,118)	(49,098)	(6,128)	(24,082)		(150,426)
Income from Operations	($ 90,741)	$ 80,339	$ 3,182	$ 82,259		75,039
Financial Income					60,940	76,772
Interest Expense					(138,354)	(115,272)
Income Before Extraordinary Item					81,701	36,539
Extraordinary Item						
Gain on purchase of Port Authority bonds in connection with future sinking fund requirements					2,312	2,082
Net Income					$ 84,013	$ 38,621

2. Asset Information

The table below contains a summary of information on the Port Authority's assets. Facilities, net consists of facilities at cost less accumulated depreciation.

	Interstate Transportation Network	Air Terminals	Marine & Other Facilities	World Trade & Econ. Dev. Facilities	Total Assets
		(In Thousands)			
1987 Assets					
Facilities, net-beginning of year	$1,118,888	$ 947,708	$456,550	$ 994,560	$3,517,706
Net capital expenditures	260,507	238,822	55,450	40,639	595,418
Depreciation	(30,494)	(66,455)	(17,027)	(24,730)	(138,706)
Facilities, net-end of year	1,348,901	$1,120,075	$494,973	$1,010,469	3,974,418
Unamortized Costs for Bus Programs	264,698				264,698
Total	$1,613,599				4,239,116
Cash, investments, accounts receivable, other amounts receivable and other assets					1,303,587
Total Assets					$5,542,703
1986 Assets					
Facilities, net-beginning of year	$ 995,844	$ 809,014	$421,058	$ 967,190	$3,193,106
Net Capital Expenditures	149,055	199,016	53,935	50,471	452,477
Depreciation	(26,011)	(60,322)	(18,443)	(23,101)	(127,877)
Facilities, net-end of year	1,118,888	$ 947,708	$456,550	$ 994,560	3,517,706
Unamortized Costs for Bus Programs	247,642				247,642
Total	$1,366,530				3,765,348
Cash, investments, accounts receivable, other amounts receivable and other assets					1,525,074
Total Assets					$5,290,422

Schedule A **Revenues and Reserves** (Pursuant to Port Authority bond resolutions)

	Year Ended December 31,			
	1987			1986
	Operating Fund	Reserve Funds (Schedule C)	**Combined Total**	Combined Total
	(In Thousands)			
Gross Operating Revenues	$1,331,438	$ —	**$1,331,438**	$1,169,586
Operating Expenses:				
Employee compensation, including benefits	455,732	—	**455,732**	433,840
Materials, equipment, supplies and contract services	255,384	—	**255,384**	227,822
Rents (primarily related to airport leases) and amounts in-lieu-of taxes	145,559	—	**145,559**	132,343
Heat, light and power	67,169	—	**67,169**	65,131
Other (Note K-5)	69,412	—	**69,412**	78,684
Total Operating Expenses	993,256	—	**993,256**	937,820
Net Operating Revenues	338,182	—	**338,182**	231,766
Financial Income				
Income on investments (includes gain of $5,235,000 in 1987 and $3,571,000 in 1986 on purchase of Port Authority bonds)	10,463	54,385	**64,848**	80,569
Net Revenues Available for Debt Service and Reserves	348,645	54,385	**403,030**	312,335
Debt Service				
Interest on bonds and notes	135,678	—	**135,678**	116,987
Serial maturities and sinking fund retirements	54,475	—	**54,475**	55,992
Repayment of commercial paper obligations	—	—	**—**	13,178
Debt retirement acceleration	—	2,800	**2,800**	—
Total Debt Service	190,153	2,800	**192,953**	186,157
Transfers to Reserves	($ 158,492)	158,492	**—**	—
Revenues After Debt Service and Transfers to Reserves		210,077	**210,077**	126,178
Direct Investment in Facilities		(176,656)	**(176,656)**	(80,656)
Appropriations for Self-Insurance		(2,929)	**(2,929)**	(4,260)
Increase in Reserves		30,492	**30,492**	41,262
Reserve Balances, January 1		730,344	**730,344**	689,082
Reserve Balances, December 31 (Schedule C)		$ 760,836	**$ 760,836**	$ 730,344

See Notes to Consolidated Financial Statements.

Schedule B **Assets and Liabilities** (Pursuant to Port Authority bond resolutions)

	December 31, 1987				December 31, 1986
	Operating Fund	Capital Fund	Reserve Funds	**Combined Total**	Combined Total
			(In Thousands)		
Assets					
Invested in Facilities	$ —	$6,547,044	$ —	**$6,547,044**	$5,876,771
Investments (Note C)	65,243	43,388	759,836	**868,467**	1,150,634
Cash (Note C)	18,106	10,270	1,000	**29,376**	20,232
Accounts Receivable (net of allowance for doubtful accounts of $11,024,000 in 1987 and $14,516,000 in 1986)	69,572	—	—	**69,572**	68,864
Other Amounts Receivable (net of allowance for doubtful accounts of $4,815,000 in 1987 and $6,285,000 in 1986)	147,384	93,842	—	**241,226**	219,461
Other Assets	123,677	13,993	—	**137,670**	117,368
Total Assets	423,982	6,708,537	760,836	**7,893,355**	7,453,330
Liabilities					
Bonds and Notes (Note D)	—	2,815,050	—	**2,815,050**	2,856,325
Commercial Paper Obligations (Note E)	—	117,883	—	**117,883**	17,240
Accounts Payable	83,228	148,419	—	**231,647**	188,539
Accrued Pension, Retirement and Other Employee Benefits (Note J)	129,616	—	—	**129,616**	123,550
Accrued Interest and Other Liabilities	157,017	5,096	—	**162,113**	124,691
Deferred Income	12,323	—	—	**12,323**	6,744
Total Liabilities	382,184	3,086,448	—	**3,468,632**	3,317,089
Net Assets	$ 41,798	$3,622,089	$760,836	**$4,424,723**	$4,136,241
Net Assets are Composed of:					
Debt Retired Through Income	$ —	$2,587,128	$ —	**$2,587,128**	$2,529,853
Reserves (Schedule C)	—	—	760,836	**760,836**	730,344
Government Contributions in Aid of Construction (Note G)	—	316,090	—	**316,090**	294,960
Appropriated Reserves Invested in Facilities	—	718,871	—	**718,871**	542,215
Appropriated Reserves for Self-Insurance	41,798	—	—	**41,798**	38,869
Net Assets	$ 41,798	$3,622,089	$760,836	**$4,424,723**	$4,136,241

See Notes to Consolidated Financial Statements.

Schedule C **Analysis of Reserve Funds** (Pursuant to Port Authority bond resolutions)

	Year Ended December 31,			
	1987			1986
	General Reserve Fund	Consolidated Bond Reserve Fund	**Combined Total**	Combined Total
		(In Thousands)		
Balance, January 1 (Note F)	$287,357	$442,987	**$730,344**	$689,082
Income on investments (includes gain on purchase of Port Authority bonds)	22,617	31,768	**54,385**	61,014
Reserve fund transfers	(16,680)	16,680	**—**	—
Transfers from operating fund	—	158,492	**158,492**	78,991
	293,294	649,927	**943,221**	829,087
Applications:				
Interest on bonds and notes	—	—	**—**	7
Serial maturities and sinking fund retirements	—	—	**—**	642
Repayment of commercial paper obligations	—	—	**—**	13,178
Debt retirement acceleration	—	2,800	**2,800**	—
Invested in facilities	—	176,656	**176,656**	80,656
Self-insurance	—	2,929	**2,929**	4,260
Total Applications	—	182,385	**182,385**	98,743
Balance, December 31 (Note F)	$293,294	$467,542	**$760,836**	$730,344

NOTE: The above schedule reflects the valuation of securities in accordance with the accounting principles stated in Note A-4. Had the market value of securities at December 31, 1987 been used, the respective Reserve Fund balances at December 31, 1987 would be:

General Reserve Fund	Consolidated Bond Reserve Fund
$293,294	$467,031

See Notes to Consolidated Financial Statements.

Schedule D **Amortization of Consolidated Bonds and Consolidated Notes 1988–2021**

	December 31, 1987 (In Thousands)		
	Total Debt Service		
	Par Value $2,718,550		
Year	Total	Interest	Amortization
1988	$ 244,302	$ 178,994	$ 65,308
1989	333,741	180,421	153,320
1990	232,035	176,236	55,799
1991	232,684	173,531	59,153
1992	233,829	170,581	63,248
1993	235,288	167,294	67,994
1994	232,072	163,854	68,218
1995	234,025	162,334	71,691
1996	233,039	158,179	74,860
1997	231,776	153,826	77,950
1998	232,630	149,080	83,550
1999	232,595	143,995	88,600
2000	237,319	138,369	98,950
2001	237,717	131,767	105,950
2002	237,142	124,542	112,600
2003	233,594	116,994	116,600
2004	214,306	109,356	104,950
2005	215,012	101,802	113,210
2006	199,206	93,556	105,650
2007	183,891	85,741	98,150
2008	169,635	78,435	91,200
2009	155,301	71,351	83,950
2010	150,791	64,251	86,540
2011	148,482	56,882	91,600
2012	131,654	49,254	82,400
2013	121,718	42,368	79,350
2014	104,280	35,680	68,600
2015	88,453	29,853	58,600
2016	88,748	24,548	64,200
2017	84,308	18,408	65,900
2018	62,246	13,046	49,200
2019	58,643	8,243	50,400
2020	48,692	4,192	44,500
2021	18,041	841	17,200
Total	$6,097,195	$3,377,804	$2,719,391

NOTE: Total Amortization of $2,719,391,000 shown above differs from the Par Value of $2,718,550,000 because the above table includes call premiums of $841,000. Interest shown under "Total Debt Service" is computed on the assumption that amortization payments will be made each year on the latest permissible date. Neither the above table nor Par Value include amounts for special obligations which may be outstanding from time to time, including those established under the Commercial Paper Program, and $96,500,000 Special Project Bonds, Series 1, which are not secured by or payable from the General Reserve Fund and for accelerated mandatory retirements, if any, in connection with Consolidated Bonds, Fifty-second Series, Due 2014, which have been converted to a variable rate of interest (see Note E-1 and Note F-3). Both the above table and Par Value include all mandatory payments (including sinking fund requirements, applicable call premiums and serial maturities) whether payable from revenues or other sources upon assumptions that: (1) – the presently outstanding bonds or notes will not be retired prior to maturity except in accordance with the mandatory retirement provisions of the resolutions establishing the series of which such bonds or notes form a part; (2) – the payment into each sinking fund will be made on the latest permissible date of each year for which such sinking fund payment is required to be made; (3) – such payments will be in the amounts scheduled to be made for such year. The above table also includes, for those series of bonds which may be converted to a variable rate of interest, the maximum amount of such interest permissible.

See Notes to Consolidated Financial Statements.

Schedule E **Selected Statistical Financial Data**

	1987	1986	1985	1984	1983	1982	1981	1980	1979	1978
					(In Thousands)					
REVENUES AND EXPENSES										
Gross Operating Revenues	**$1,331,438**	$1,169,586	$1,100,840	$1,000,060	$ 848,584	$ 779,744	$ 699,113	$ 647,647	$ 588,064	$ 543,810
Operating Expenses	**993,256**	937,820	859,843	706,895	610,287	557,303	487,758	437,199	391,517	367,794
Net Operating Revenues	**338,182**	231,766	240,997	293,165	238,297	222,441	211,355	210,448	196,547	176,016
Income on Investments	**59,613**	76,998	85,644	85,836	71,626	88,664	90,688	77,675	44,957	30,150
Gain on Purchase of Port Authority Bonds	**5,235**	3,571	6,077	5,501	8,596	13,533	13,116	12,323	10,067	9,321
Security Valuation Adjustment	—	—	—	(19)	11	—	1,135	(944)	(3,664)	(9,981)
Net Revenues Available for Debt Service and Reserves	**403,030**	312,335	332,718	384,483	318,530	324,638	316,294	299,502	247,907	205,506
DEBT SERVICE-OPERATIONS										
Interest on Bonds and Notes (Note B)	**(135,678)**	(116,980)	(109,972)	(116,352)	(110,024)	(101,818)	(99,542)	(98,040)	(87,296)	(85,456)
Times, Interest Earned (A)	**2.97**	2.67	3.02	3.30	2.87	3.16	3.16	3.05	2.84	2.40
Serial Maturities and Sinking Fund Retirements	**(54,475)**	(55,350)	(48,074)	(18,593)	(32,433)	(30,387)	(42,344)	(38,092)	(36,944)	(21,023)
Times, Debt Service Earned (A)	**2.12**	1.81	2.08	2.33	2.05	2.26	2.24	2.16	2.00	1.93
DEBT SERVICE-RESERVES										
Debt Service on Bonds Secured by Trusts	—	(649)	(1,343)	(1,204)	(637)	(1,129)	(1,298)	(2,187)	(4,159)	(6,354)
Interest on Bank Loans	—	—	—	—	(2,777)	(4,300)	(6,456)	(5,749)	(6,370)	(7,562)
Repayment of Bank Loans	—	—	—	—	(31,250)	(31,250)	(31,250)	(31,250)	(40,000)	(40,000)
Repayment of Commercial Paper Obligations	—	(13,178)	(55,964)	(85,389)	(100,089)	(37,422)	—	—	—	—
Debt Retirement Acceleration	**(2,800)**	—	—	—	(20,000)	(20,000)	(20,000)	(10,000)	(7,500)	—
Direct Investment in Facilities-Reserves	**(176,656)**	(80,656)	(87,359)	(71,527)	(19,221)	(75,621)	(75,000)	(20,000)	(25,000)	—
Appropriation for Self-Insurance-Reserves	**(2,929)**	(4,260)	(4,063)	(489)	537	1,329	607	(1,896)	(3,444)	(3,955)
Net Increase in Reserves Before Cumulative Effect of Change in Accounting Principle	**30,492**	41,262	25,943	90,929	2,636	24,040	41,011	92,288	37,194	41,156
Cumulative Effect on Prior Years of Changing to a Different Security Valuation Method	—	—	—	—	—	—	—	9,503	—	—
Net Increase in Reserves (B)	**30,492**	41,262	25,943	90,929	2,636	24,040	41,011	101,791	37,194	41,156
RESERVE BALANCES										
January 1	**730,344**	689,082	663,139	572,210	569,574	545,534	504,523	402,732	365,538	324,382
December 31	**$ 760,836**	$ 730,344	$ 689,082	$ 663,139	$ 572,210	$ 569,574	$ 545,534	$ 504,523	$ 402,732	$ 365,538
Represented by:										
General Reserve	**$ 293,294**	$ 287,357	$ 271,232	$ 236,166	$ 223,080	$ 223,080	$ 210,597	$ 210,597	$ 210,597	$ 208,023
Special Reserve (C)	—	—	646	1,940	3,064	3,649	4,788	6,103	7,466	8,829
Air Terminal Reserve (C)	—	—	—	—	—	—	—	—	682	3,283
Marine Terminal Reserve (C)	—	—	—	—	—	—	—	—	157	310
Consolidated Bond Reserve	**467,542**	442,987	417,204	425,033	346,066	342,845	330,149	287,823	183,830	145,093
Total	**$ 760,836**	$ 730,344	$ 689,082	$ 663,139	$ 572,210	$ 569,574	$ 545,534	$ 504,523	$ 402,732	$ 365,538
DEBT AT DECEMBER 31										
General and Refunding Bonds (D)	**$ —**	$ —	$ 642	$ 1,915	$ 2,997	$ 3,528	$ 4,589	$ 5,805	$ 7,051	$ 8,279
Air Terminal Bonds (D)	—	—	—	—	—	—	—	—	667	3,192
Marine Terminal Bonds (D)	—	—	—	—	—	—	—	—	154	300
Consolidated Bonds and Notes	**2,718,550**	2,759,825	2,615,175	2,263,249	2,075,842	2,127,275	1,967,662	1,925,006	1,973,098	1,943,460
Special Project Bonds	**96,500**	96,500	96,500	96,500	96,500	—	—	—	—	—
Total Bonds and Notes	**2,815,050**	2,856,325	2,712,317	2,361,664	2,175,339	2,130,803	1,972,251	1,930,811	1,980,970	1,955,231
Commercial Paper Obligations	**117,883**	17,240	37,870	—	—	—	—	—	—	—
Bank Loans (D)	**—**	—	—	—	—	31,250	62,500	93,750	125,000	165,000
Total	**$2,932,933**	$2,873,565	$2,750,187	$2,361,664	$2,175,339	$2,162,053	$2,034,751	$2,024,561	$2,105,970	$2,120,231
INVESTED IN FACILITIES AT DECEMBER 31	**$6,547,044**	$5,876,771	$5,396,493	$5,050,775	$4,838,351	$4,574,583	$4,375,490	$4,148,331	$3,985,354	$3,882,953
DEBT RETIRED THROUGH INCOME										
Annual	**$ 57,275**	$ 69,170	$ 105,310	$ 105,064	$ 184,303	$ 120,120	$ 94,810	$ 81,409	$ 88,343	$ 67,023
Cumulative	**$2,587,128**	$2,529,853	$2,460,683	$2,355,373	$2,250,309	$2,066,006	$1,945,886	$1,851,076	$1,769,667	$1,681,324

(A) In computing Times, Interest Earned and Times, Debt Service Earned, insignificant amounts of interest income and interest expense on debt previously accelerated have been included in Net Revenues Available for Debt Service and Reserves and Interest on Bonds and Notes, respectively. In addition, Serial Maturities and Sinking Fund Retirements has been adjusted to exclude the retirement of Consolidated Notes and to include scheduled retirement of debt previously accelerated as follows:

1987	1986	1985	1984	1983	1982	1981	1980	1979	1978
—	—	($1,560)	($29,731)	($12,193)	($11,016)	$1,250	($2,250)	—	—

(B) Net Increase in Reserves with the 1980 and 1982 changes in accounting principles relating to the security valuation method and capitalization of interest retroactively applied would be as follows:

1981	1980	1979	1978
$34,390	$90,732	$36,881	$50,964

(C) Reserve Funds established in connection with prior lien bonds maintained in Trust from December 31, 1970 through the retirement of such bonds.

(D) The Port Authority has fully satisfied, when due, as scheduled, all debt service requirements on all such obligations.

NOTE: This selected financial data is prepared from information contained in Schedules A, B and C and is presented for general information purposes only and is not intended to reflect specific applications of the revenues and reserves of the Port Authority which are governed by statutes and its bond resolutions. The data for the years ended 1978-1980 are derived from financial statements examined by another independent auditor.

See Notes to Consolidated Financial Statements.

The Port Authority of New York and New Jersey

New York State Commuter Car Program

Assets and Liabilities

	December 31, 1987	1986
	(In Thousands)	
Assets		
Invested in Commuter Cars, at Cost (A)	**$156,078**	$158,928
Cash and Investments in U.S. Government Securities, at Cost (which approximates market)	**2,954**	7,559
Other Assets	**828**	809
Total Assets	**159,860**	167,296
Liabilities		
State Guaranteed Commuter Car Bonds	**89,575**	97,450
Other Liabilities	**10,700**	9,886
Total Liabilities	**100,275**	107,336
Debt Retired (A)	**$ 59,585**	$ 59,960

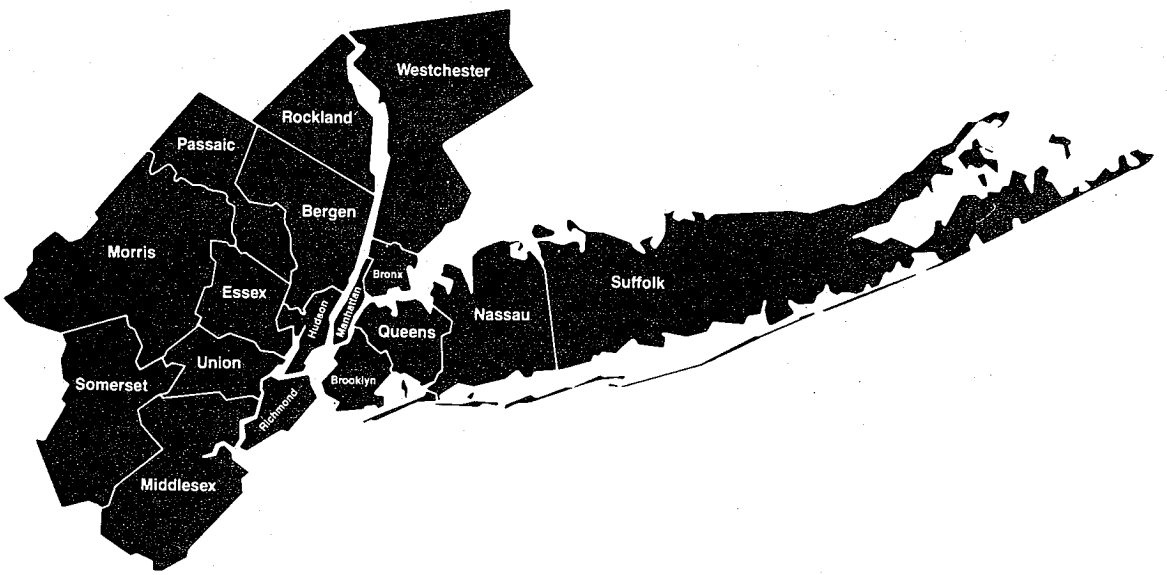
(A) Does not include in 1987 and 1986, $5,475,000 New York State Guaranteed Commuter Car Bonds, First Series Due 1962-1966, all of which have been retired, or the Commuter Cars associated therewith. Does not include in 1987, $8,250,000 New York State Guaranteed Commuter Car Bonds, Second Series, Due 1962-1987, all of which have been retired, or the Commuter Cars associated therewith.

NOTE: Pursuant to legislation of the States of New York and New Jersey, the Port Authority is authorized and empowered, upon the election of either state, to purchase and lease railroad cars to commuter railroads of the electing state, and to borrow money for such purpose or for the repayment of advances from the electing state if such state has made itself liable for the repayment of the money so borrowed. By resolution dated April 12, 1962, the Port Authority established an issue of New York State Guaranteed Commuter Car Bonds. The information contained in this schedule has been prepared pursuant to such bond resolution and legislation. Such Car Bonds are secured by the net revenues of the Port Authority arising out of the lease of commuter railroad cars. The Metropolitan Transportation Authority currently leases railroad cars acquired under this program, in its own right and in connection with the assumption of equipment obligations of Consolidated Rail Corporation (ConRail) and of the Penn Central Transportation Company (and its successor, ConRail). Car Bonds are not secured by any other revenues, reserves or assets of the Port Authority, are not general obligations of the Port Authority and are not secured by the full faith and credit of the Port Authority. In the event that lease revenues are not sufficient to provide for scheduled payment of principal and interest, the punctual payment of such debt service is fully and unconditionally guaranteed by New York State. Title to the cars is to be relinquished by the Port Authority after retirement of all obligations issued in connection with such cars. (See Note F-4.)

See Notes to Consolidated Financial Statements.

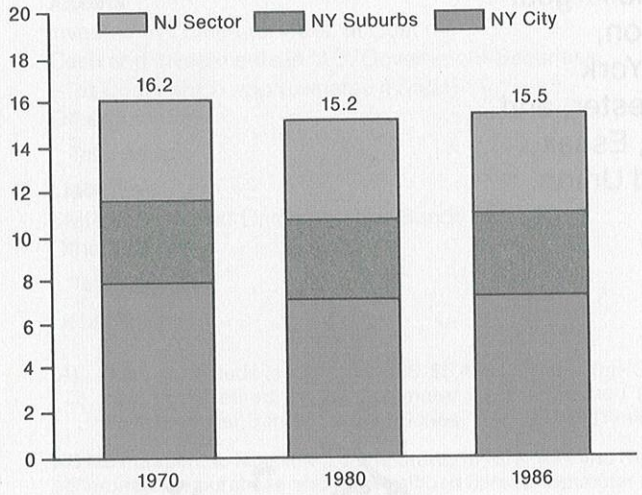
The New York-New Jersey Metropolitan Regional Almanac

The New York-New Jersey Metropolitan Region, the largest and most diversified metropolitan region in the nation, consists of New York City, the four suburban New York counties of Nassau, Rockland, Suffolk and Westchester, and the eight counties of northern New Jersey, Bergen, Essex, Hudson, Middlesex, Morris, Passaic, Somerset and Union.



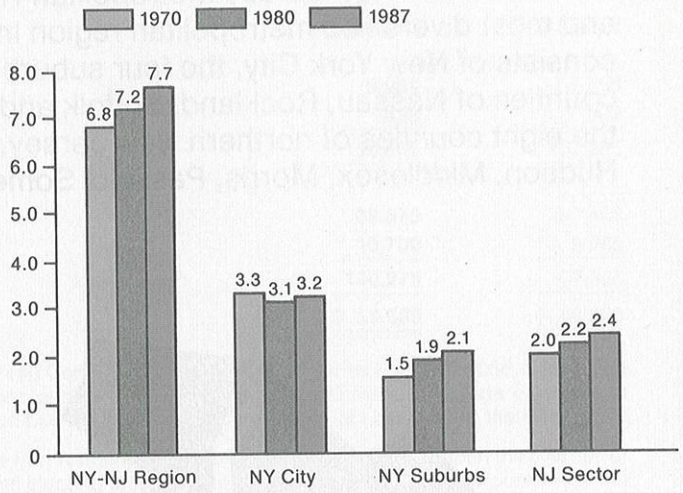
Area	3,900 Square Miles
Population 1986	15.5 Million
Households 1980	5.5 Million
Civilian Labor Force 1987	7.7 Million
Total Personal Income 1984	$244.2 Billion
Retail Sales 1987 Estimate	$97 Billion
Total Wage and Salary Jobs—1987	7.5 Million

Population
N.Y.-N.J. Metropolitan Region
1970, 1980 and 1986
(in millions)



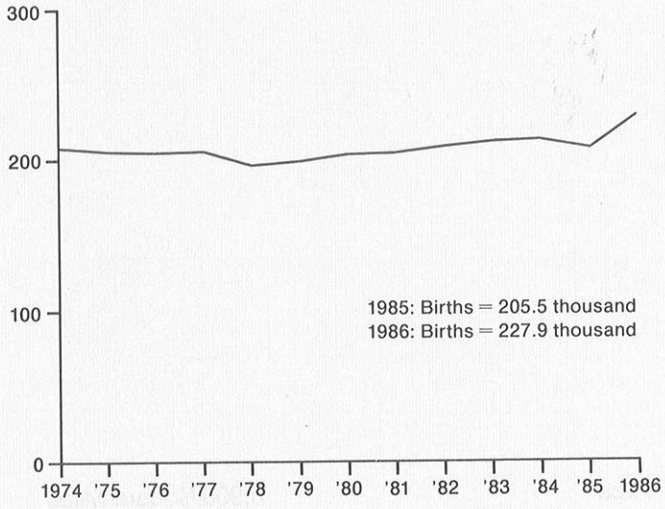
Source: U.S. Bureau of the Census, N.Y. State Dept. of Commerce, N.J. State Dept. of Labor

Total Labor Force
N.Y.-N.J. Metropolitan Region
1970, 1980 and 1987
(in millions)



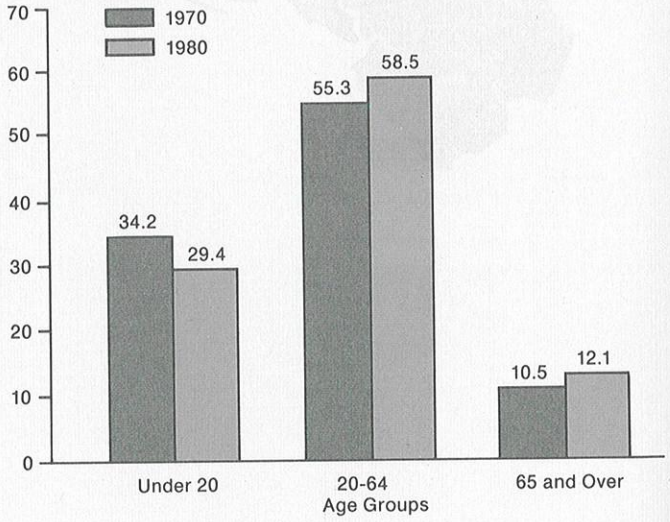
Source: N.Y. and N.J. State Depts. of Labor

Number of Births
N.Y.-N.J. Metropolitan Region
1974-1986
(in thousands)



Source: N.Y. and N.J. State Depts. of Health

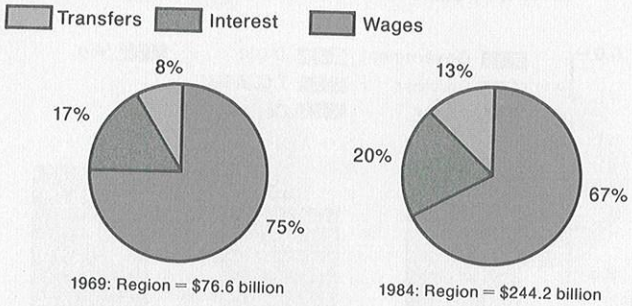
Changes in Age Distribution
New York-New Jersey Region
1970, 1980
(percent)



Source: U.S. Bureau of the Census. Census of Population, 1970 and 1980

Income

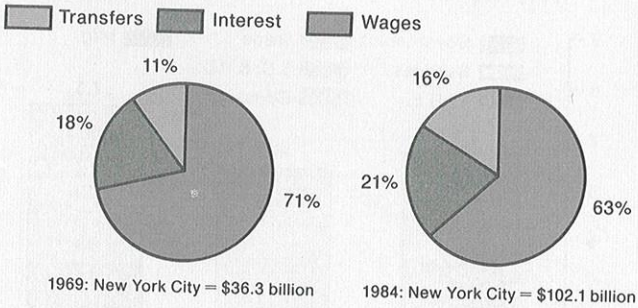
Total Personal Income by Type
N.Y.-N.J. Metropolitan Region
(percent)



1969: Region = $76.6 billion

1984: Region = $244.2 billion

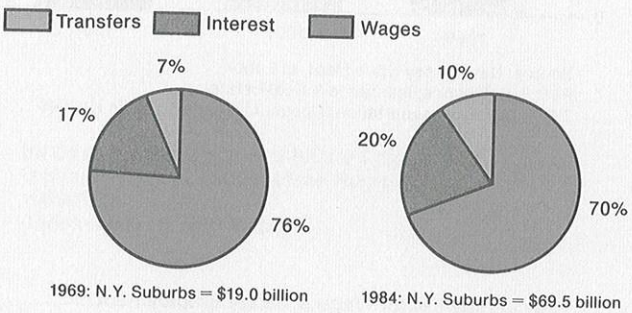
Total Personal Income by Type
New York City
(percent)



1969: New York City = $36.3 billion

1984: New York City = $102.1 billion

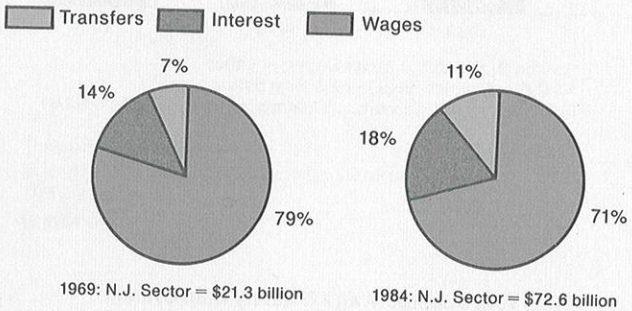
Total Personal Income by Type
N.Y. Suburbs
(percent)



1969: N.Y. Suburbs = $19.0 billion

1984: N.Y. Suburbs = $69.5 billion

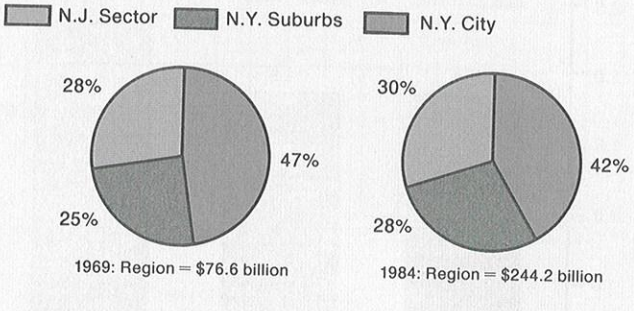
Total Personal Income by Type
N.J. Sector
(percent)



1969: N.J. Sector = $21.3 billion

1984: N.J. Sector = $72.6 billion

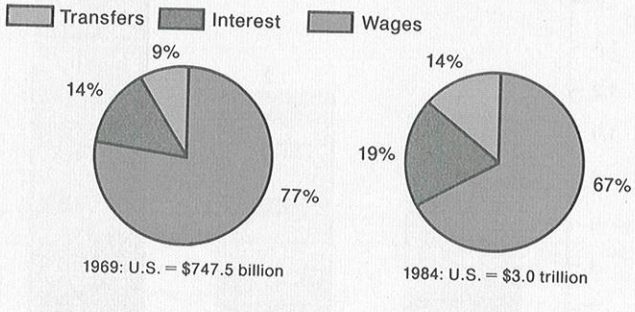
Total Personal Income
N.Y.-N.J. Metropolitan Region
(percent)



1969: Region = $76.6 billion

1984: Region = $244.2 billion

Total Personal Income by Type
United States
(percent)



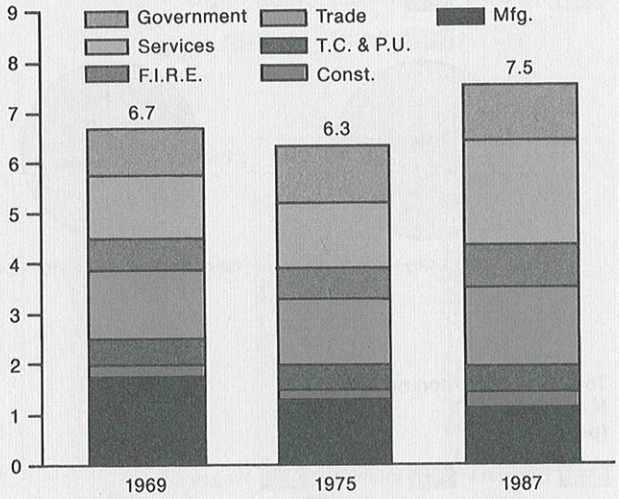
1969: U.S. = $747.5 billion

1984: U.S. = $3.0 trillion

Source: U.S. Bureau of Economic Analysis
Wages = Net Labor and Proprietors Income
Interest = Dividends, Interest and Rent
Transfers = Transfer Payments

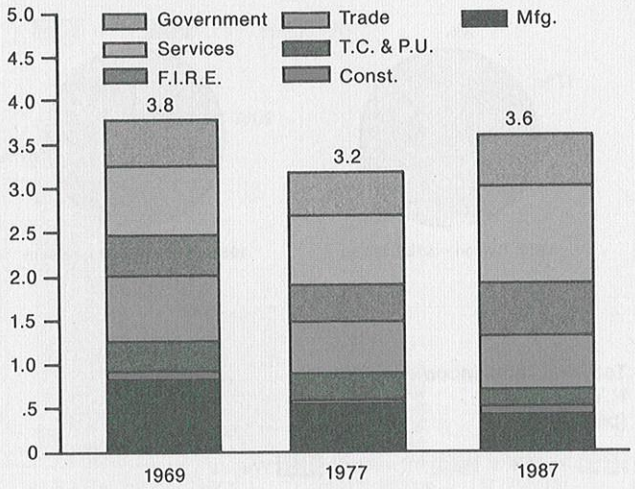
Employment

N.Y.-N.J. Metropolitan Region Wage & Salary Employment in Millions by Major Industry 1969, 1975 and 1987



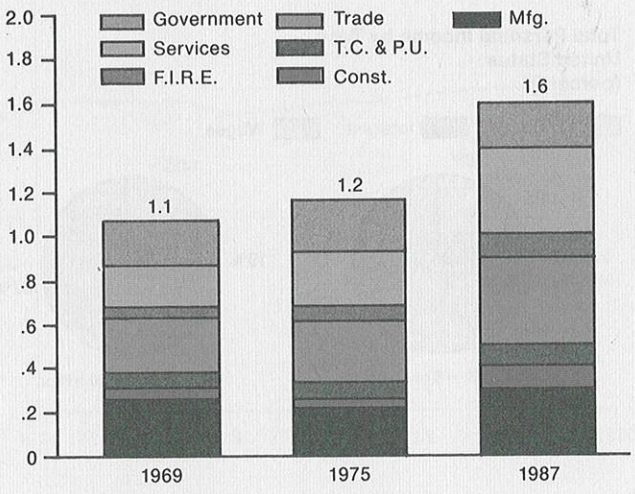
Source: N.Y. and N.J. State Depts. of Labor
F.I.R.E. = Finance, Insurance & Real Estate
T.C. & P.U. = Transportation, Communications & Public Utilities

New York City Wage & Salary Employment in Millions by Major Industry 1969, 1977 and 1987



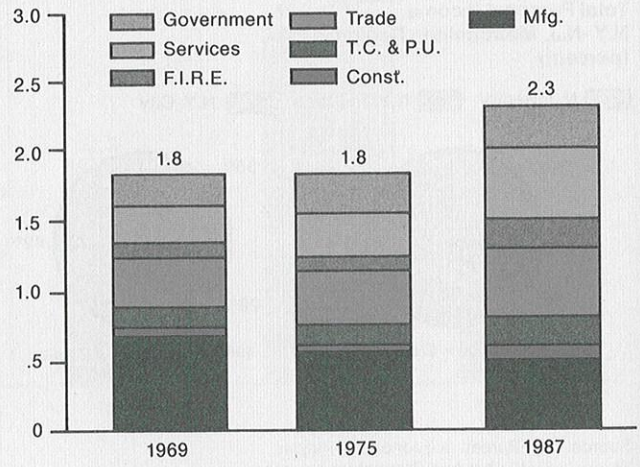
Source: New Jersey State Dept. of Labor
F.I.R.E. = Finance, Insurance & Real Estate
T.C. & P.U. = Transportation, Communications & Public Utilities

New York Suburbs Wage & Salary Employment in Millions by Major Industry 1969, 1975 and 1987



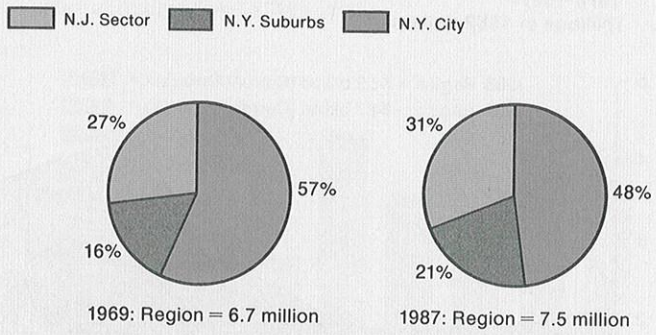
Source: New York State Dept. of Labor
F.I.R.E. = Finance, Insurance & Real Estate
T.C. & P.U. = Transportation, Communications & Public Utilities

New Jersey Sector Wage & Salary Employment in Millions by Major Industry 1969, 1975 and 1987



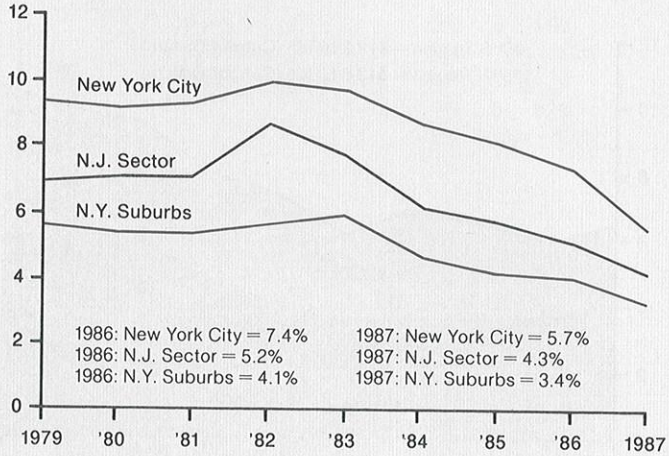
Source: New York State Dept. of Labor
F.I.R.E. = Finance, Insurance & Real Estate
T.C. & P.U. = Transportation, Communications & Public Utilities

Wage and Salary Employment in the N.Y.-N.J. Metropolitan Region by Major Geographic Area



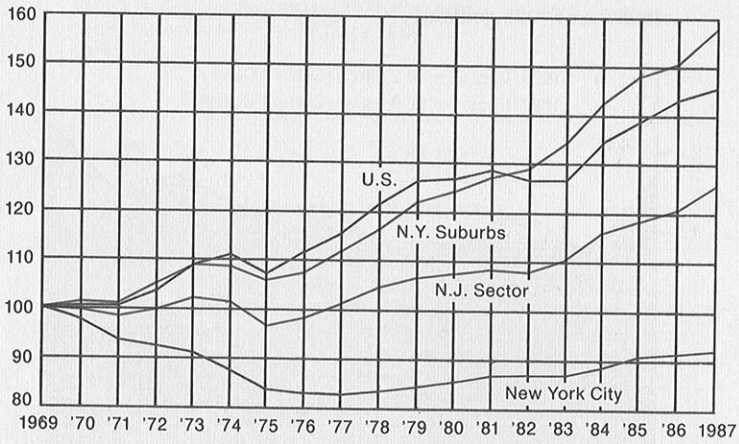
Source: N.Y. State Dept. of Labor
N.J. State Dept. of Labor

Unemployment Rates
N.Y.-N.J. Metropolitan Region
1979-1987
(percent)



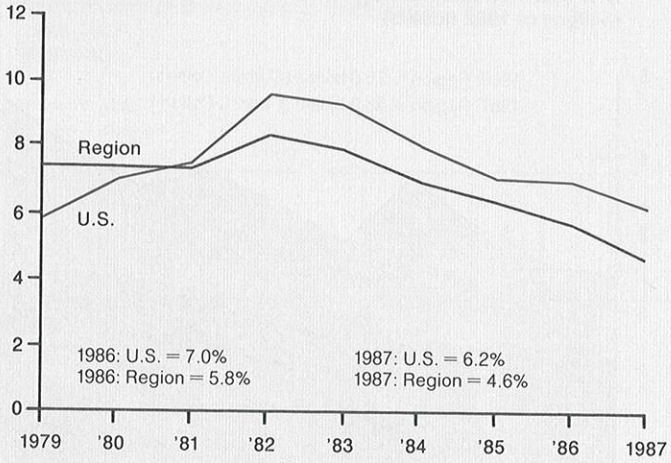
Source: N.Y. State Dept. of Labor
N.J. State Dept. of Labor

Index of Private Wage and Salary Employment
U.S. and N.Y.-N.J. Metropolitan Region
1969-1987
(index number: 1969 = 100)



Source: U.S. Bureau of Labor Statistics
N.Y. State Dept. of Labor
N.J. State Dept. of Labor

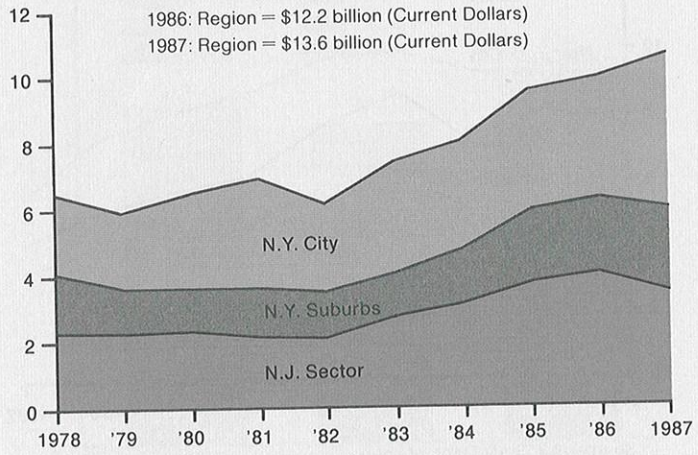
Unemployment Rates
U.S. and N.Y.-N.J. Metropolitan Region
1979-1987
(percent)



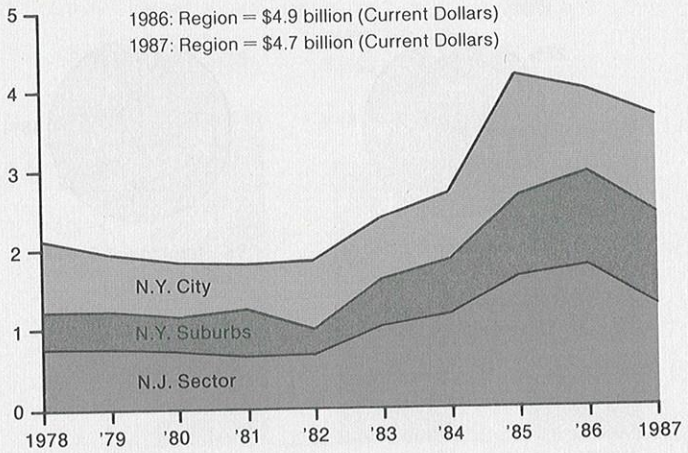
Source: U.S. Bureau of Labor Statistics
N.Y. State Dept. of Labor
N.J. State Dept. of Labor

Construction

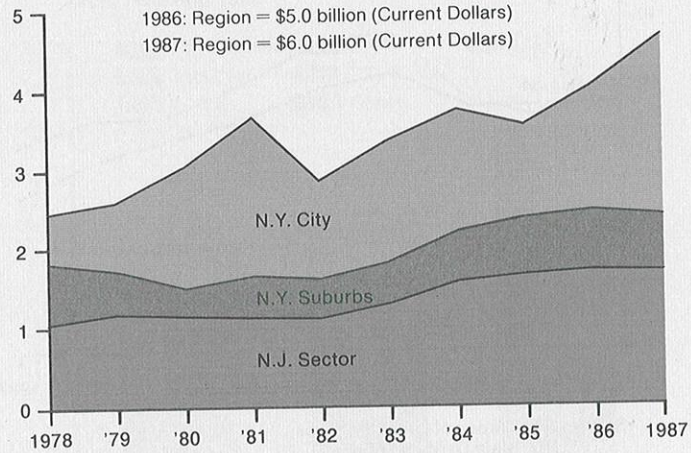
Total Construction Contract Awards
N.Y.-N.J. Metropolitan Region
1978-1987
(billions of 1982 dollars)



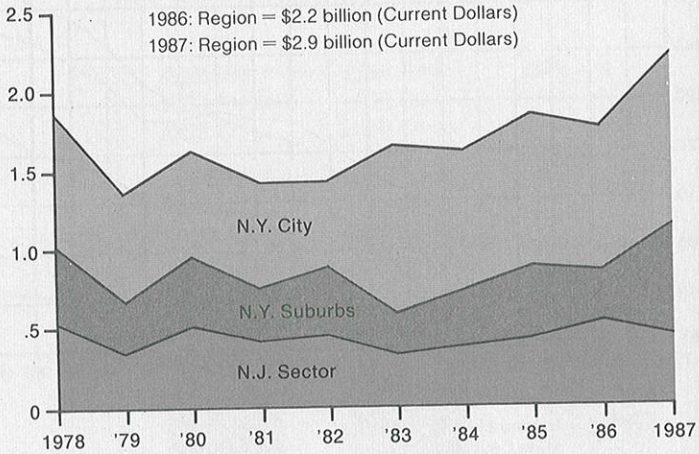
Residential Building Construction Contract Awards
N.Y.-N.J. Metropolitan Region
1978-1987
(billions of 1982 dollars)



Commercial and Industrial Building
Construction Contract Awards
N.Y.-N.J. Metropolitan Region 1978-1987
(billions of 1982 dollars)



Infrastructure Construction Contract Awards
N.Y.-N.J. Metropolitan Region
1978-1987
(billions of 1982 dollars)



Source: Dodge/DRI Construction and Real Estate Information Service

Note: Construction awards in 1982 dollars deflated by Engineering News Record's Building Cost Index

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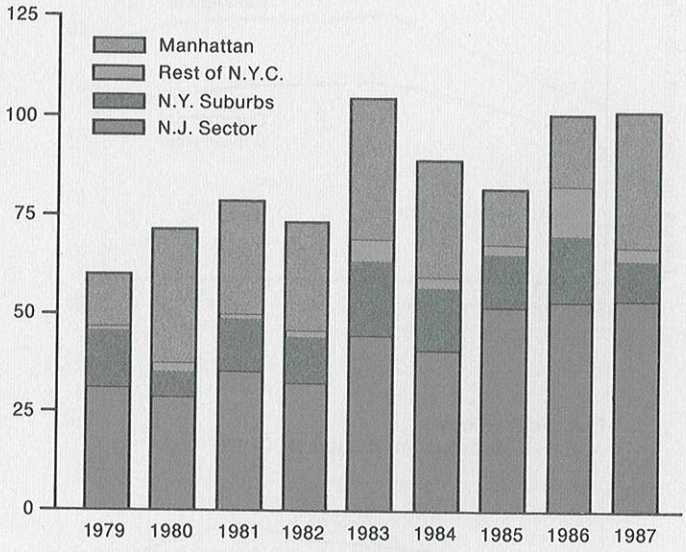
Index of New Office Building Starts in the N.Y.-N.J. Metropolitan Region 1979-1987
Index of Square Feet: 1986 = 100



Source: Dodge/DRI Construction and Real Estate Information Service
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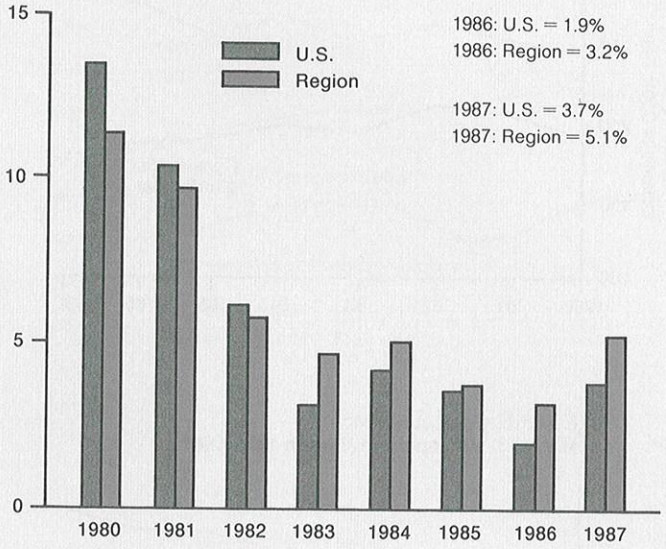
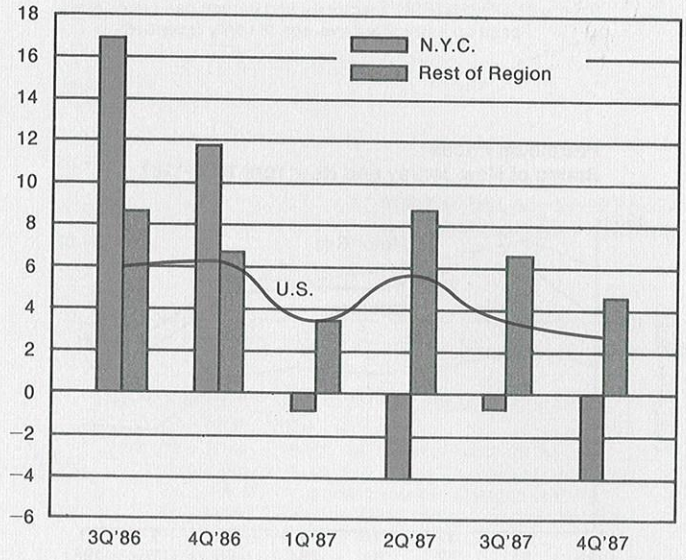
Percent Change in Consumer Price Index/All Items U.S. and N.Y.-N.J. Metropolitan Region 1980-1987 (percent)



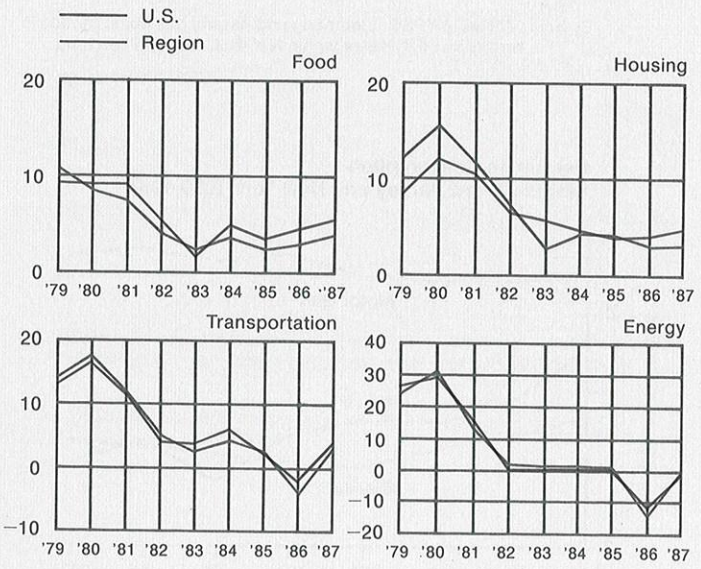
Source: U.S. Bureau of Labor Statistics

Percent Change in Retail Sales in the N.Y.-N.J. Metropolitan Region and the U.S. by Quarter: 1987 Over 1986 (percent)



Source: U.S. Dept. of Commerce

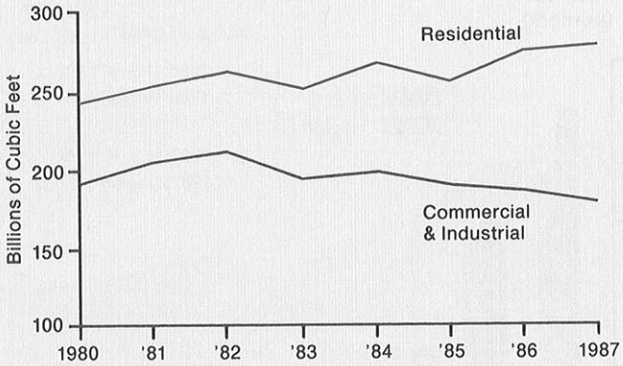
Components of the Consumer Price Index 1979-1987 (percent)



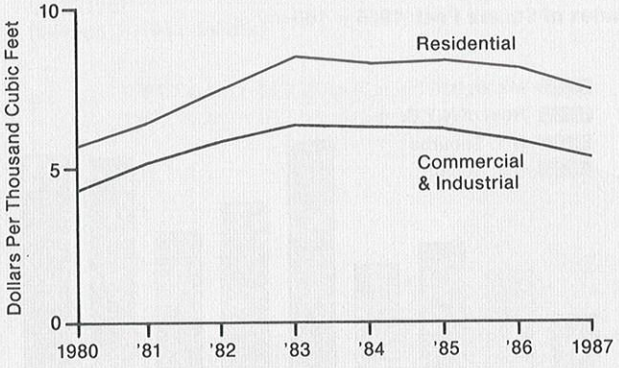
Source: U.S. Bureau of Labor Statistics

Energy

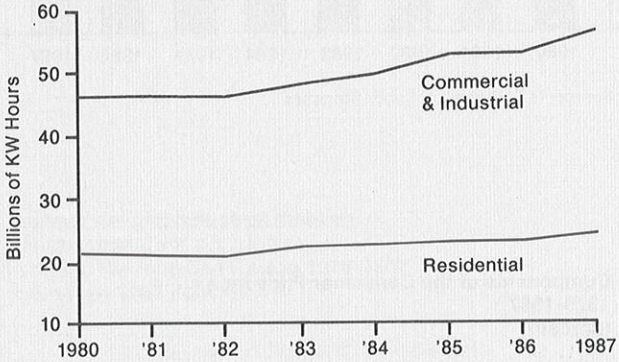
Natural Gas Consumption
N.Y.-N.J. Metropolitan Region 1980-1987



Natural Gas Prices
N.Y.-N.J. Metropolitan Region 1980-1987

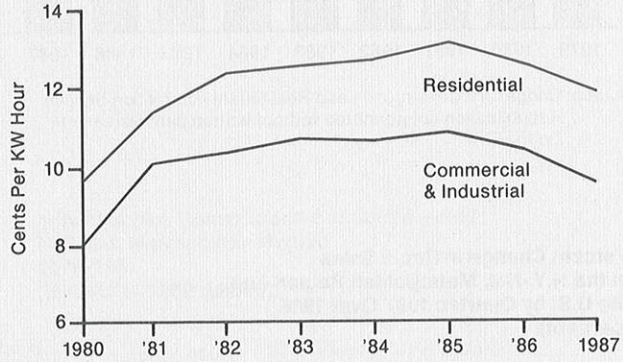


Electricity Consumption
N.Y.-N.J. Metropolitan Region 1980-1987



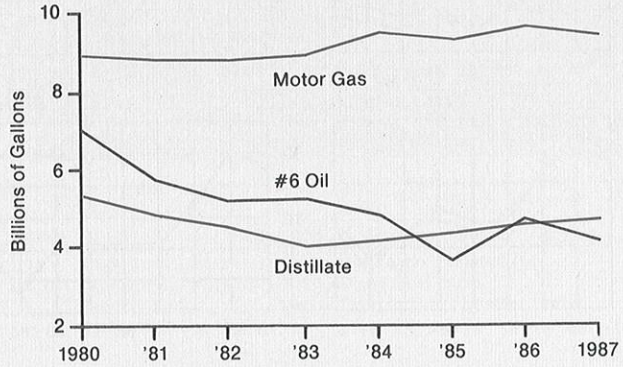
Source: NJDOE, NYPSC. Electricity and natural gas consumption is based on utility sales within N.Y.-N.J. metropolitan area.

Electricity Prices
N.Y.-N.J. Metropolitan Region 1980-1987



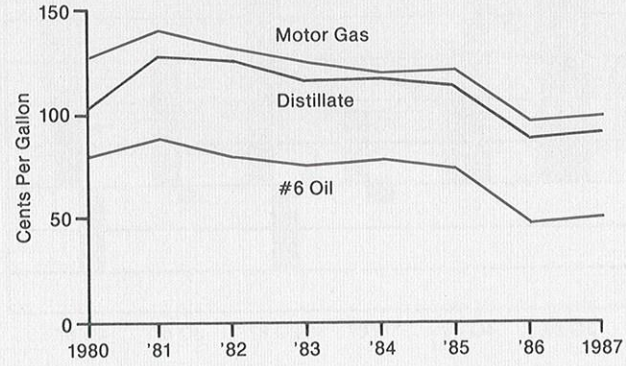
Source: NJDOE, NYPSC. Electricity and natural gas prices are based on a weighted average of utility revenues.

Petroleum Consumption
States of New Jersey and New York 1980-1987



Source: U.S. Energy Information Administration

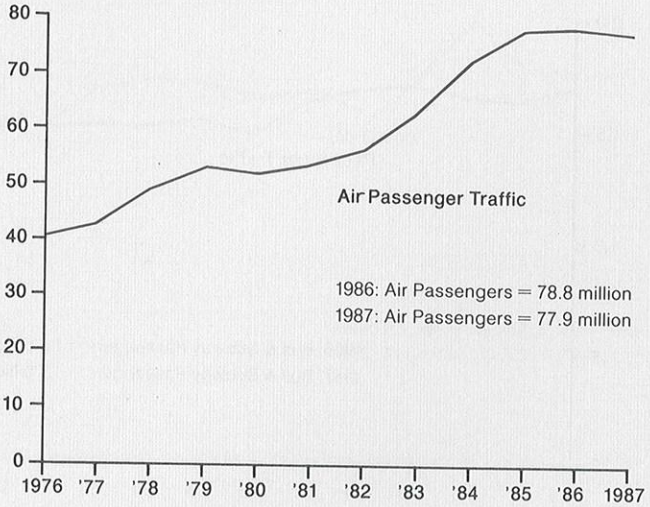
Petroleum Prices
States of New Jersey and New York 1980-1987



Source: BLS Consumer Prices, Oil Daily
Prices for gasoline are average of all grades, #6 has 0.3% sulfur content.

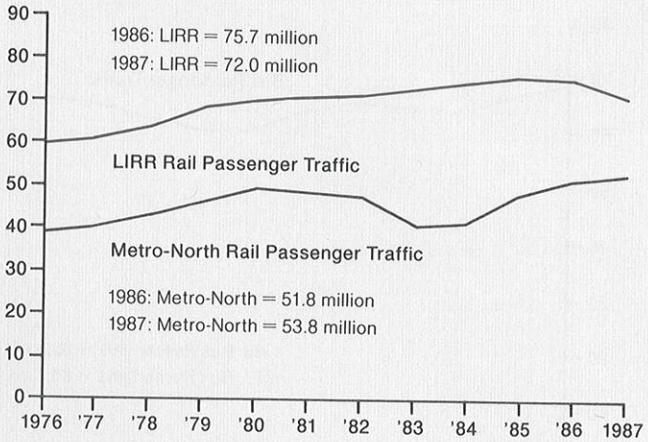
Regional Traffic Trends

Domestic and Overseas Air Passenger Traffic
N.Y.-N.J. Metropolitan Region
1976-1987
(in millions)



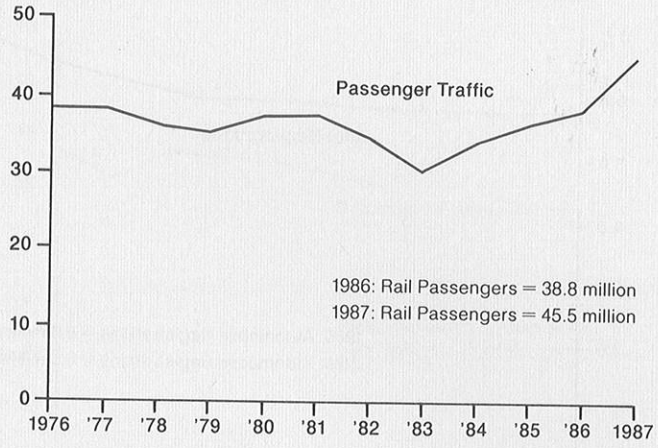
Source: The Port Authority of N.Y.-N.J.

Metropolitan Transportation Authority
Commuter Rail Revenue Passenger Traffic
1976-1987
(in millions)



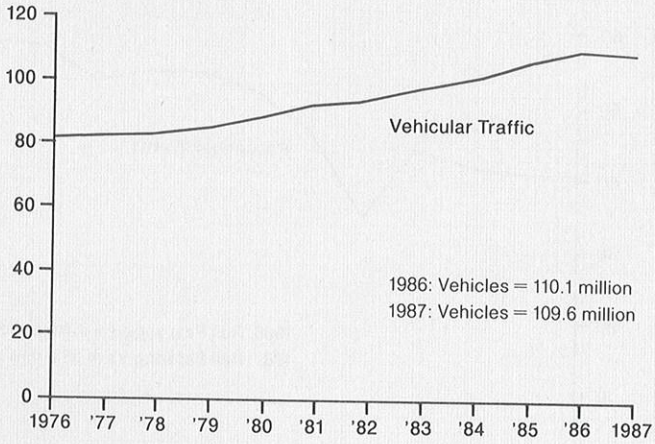
Source: Metropolitan Transportation Authority
Note: Metro-North includes the former New Haven, Harlem and Hudson lines of Conrail
Note: 6 week Metro-North strike in 1983 and 11-day LIRR strike in January 1987

New Jersey Transit Rail Passenger Traffic
1976-1987
(in millions)



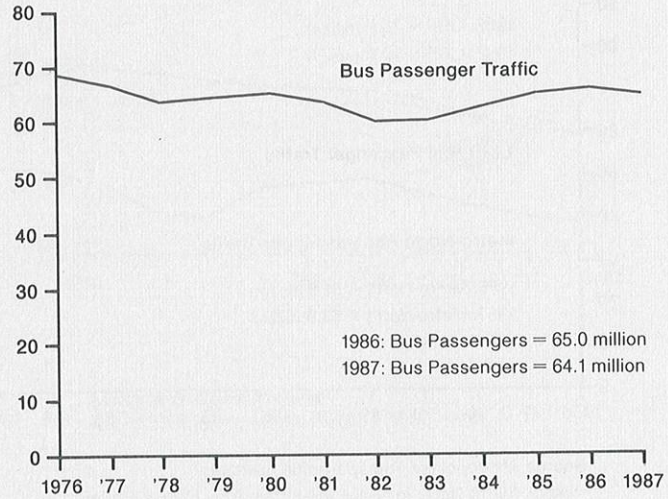
Source: Tri-State Regional Planning Commission, 1976-1978
New Jersey Transit, 1979-1987
Note: New Jersey Transit's rail operations include the former Hoboken and New Jersey Divisions of Conrail. Excludes MTA ridership on Mainline Bergen but includes MTA Pascack Valley and N.J. Transit ridership utilizing Amtrak's Northeast Corridor service
Note: 34 day strike in 1983

Port Authority Tunnels and Bridges
Annual Eastbound Vehicular Traffic
1976-1987
(in millions)



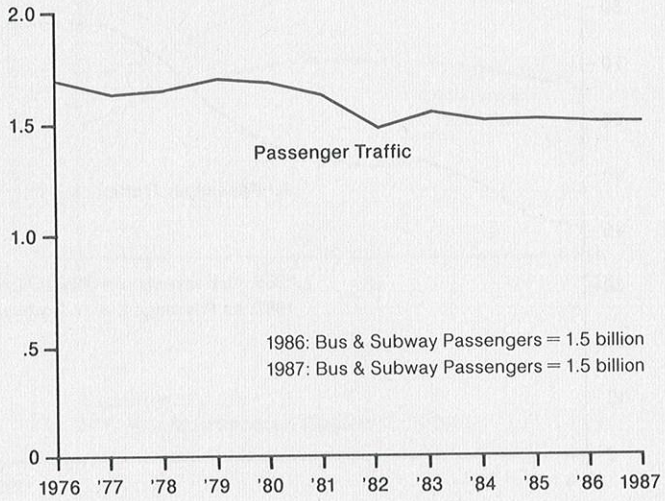
Source: The Port Authority of N.Y.-N.J.

Bus Passenger Traffic: through Port Authority Terminals
N.Y.-N.J. Metropolitan Region
1976-1987
(in millions)



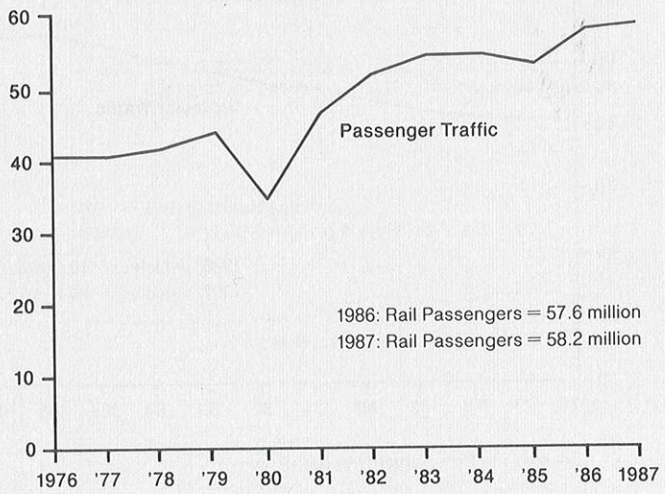
Source: The Port Authority of N.Y.-N.J.
Note: Information not available for the Journal Square Transportation Center.

New York City Transit Authority
Bus and Subway Revenue Passenger Traffic
1976-1987
(in billions)



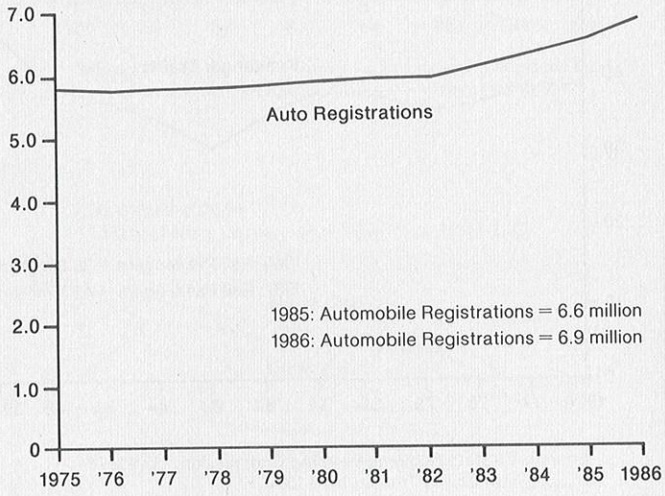
Source: New York City Transit Authority

Port Authority Trans-Hudson Rail Passenger Traffic
1976-1987
(in millions)



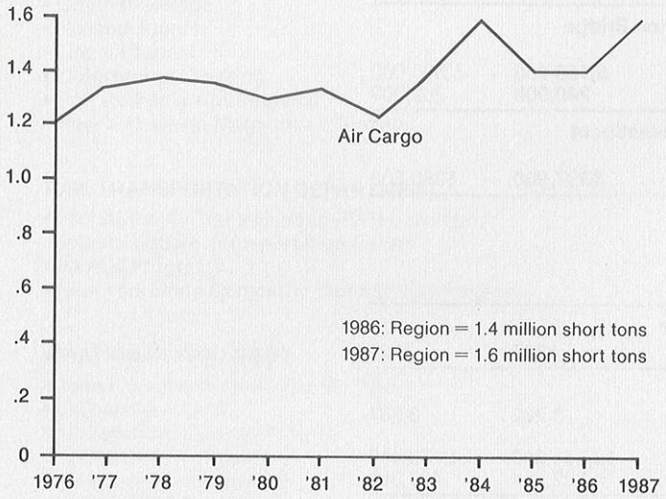
Source: The Port Authority of N.Y.-N.J.
Note: New York City transit strike, April 1 to April 13, 1980
PATH strike, June 12 to August 31, 1980

Passenger Automobile Registrations
N.Y.-N.J. Metropolitan Region
1975-1986
(in millions)



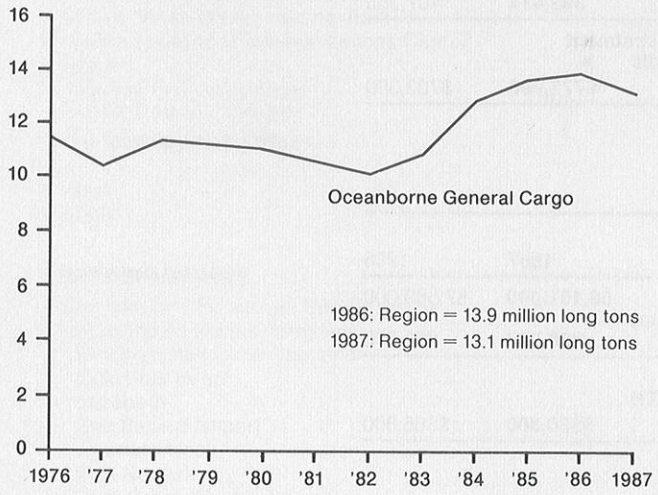
Source: State of New Jersey and New York Departments of Motor Vehicles
Note: New Jersey reports automobile registrations on a fiscal year. Calendar year data were imputed by interpolation

Air Cargo Traffic
N.Y.-N.J. Metropolitan Region
1976-1987
(in millions of short tons)



Source: The Port Authority of N.Y.-N.J.

Oceanborne General Cargo
The Port of N.Y.-N.J.
1976-1987
(in millions of long tons)



Source: The Port Authority of N.Y.-N.J.

Facility Traffic

Tunnels and Bridges (Eastbound Traffic in Thousands)	1987	1986
All Crossings		
Automobiles	**99,911**	100,254
Buses	**1,967**	2,007
Trucks	**7,689**	7,851
Total Vehicles	**109,567**	110,112
George Washington Bridge		
Automobiles	**45,484**	46,172
Buses	**258**	261
Trucks	**3,939**	4,011
Total Vehicles	**49,681**	50,444
Lincoln Tunnel		
Automobiles	**17,719**	18,683
Buses	**1,440**	1,485
Trucks	**1,062**	1,120
Total Vehicles	**20,221**	21,288
Holland Tunnel		
Automobiles	**12,802**	11,777
Buses	**112**	97
Trucks	**930**	937
Total Vehicles	**13,844**	12,811
Staten Island Bridges		
Automobiles	**23,906**	23,622
Buses	**157**	164
Trucks	**1,758**	1,783
Total Vehicles	**25,821**	25,569
Cumulative PA Investment In Tunnels and Bridges (InThousands)	**$869,700**	$799,100

Air Terminals	1987	1986
Totals at the Three Major Airports		
Plane Movements	**1,009,800**	1,030,400
Passenger Traffic	**77,894,000**	78,846,000
Cargo-Tons	**1,562,200**	1,445,400
Revenue Mail-Tons	**238,900**	219,900
Kennedy International Airport		
Plane Movements	**285,900**	279,400
Passenger Traffic		
Total	**30,193,000**	27,224,000
Domestic	**12,600,000**	11,829,000
Overseas	**17,593,000**	15,395,000
Cargo-Tons	**1,182,700**	1,095,500
LaGuardia Airport		
Plane Movements	**356,000**	350,900
Passenger Traffic	**24,226,000**	22,189,000
Cargo-Tons	**54,100**	50,500
Newark International Airport		
Plane Movements	**367,900**	400,100
Passenger Traffic	**23,475,000**	29,433,000
Cargo-Tons	**325,400**	299,400
Cumulative PA Investment In Air Terminals (In Thousands)	**$2,195,300**	$1,950,800

Terminals	1987	1986
All Bus Facilities (A)		
Passengers	**64,100,000**	65,000,000
Bus Movements	**2,340,000**	2,314,000
Port Authority Bus Terminal		
Passengers	**59,000,000**	59,500,000
Bus Movements	**2,100,000**	2,052,000
George Washington Bridge Bus Station		
Passengers	**5,100,000**	5,500,000
Bus Movements	**240,000**	262,000
Cumulative PA Investment In Bus Facilities (In Thousands)	**$397,900**	$380,600

Marine Terminals	1987	1986
All Terminals		
Ship Arrivals	**3,282**	3,587
General Cargo (Long Tons)	**18,656,399**	21,170,115
Passengers	**392,414**	407,355
New Jersey Marine Terminals		
Ship Arrivals	**2,638**	2,748
General Cargo (Long Tons)	**17,867,145**	18,182,272
New York Marine Terminals		
Ship Arrivals	**446**	588
General Cargo (Long Tons)	**789,254**	2,987,843
Passenger Ship Terminals		
Ship Arrivals	**198**	251
Passengers	**392,414**	407,355
Cumulative PA Investment In Marine Terminals (In Thousands)	**$772,900**	$702,300

PATH	1987	1986
Total Passengers	**58,191,000**	57,589,000
Passenger Weekday Average	**206,570**	203,570
Cumulative PA Investment in PATH (In Thousands)	**$550,300**	$366,800

	1987	1986
Total Port Authority Cumulative Invested in Facilities, Including the Above (In Thousands)	**$6,547,000**	$5,876,800

(A) Excludes comparative statistics for PATH Journal Square Transportation Center Bus Station as data is not available for 1987 passengers and bus movements.

THE PORT AUTHORITY OF NY & NJ

TUNNELS, BRIDGES & TERMINALS DEPARTMENT

- Bayonne Bridge
- George Washington Bridge and Bus Station
- Goethals Bridge
- Holland Tunnel
- Lincoln Tunnel
- Outerbridge Crossing
- Port Authority Bus Terminal
- New York Union Motor Truck Terminal

RAIL TRANSPORTATION DEPARTMENT

- Port Authority Trans-Hudson (PATH) System/ Journal Square Transportation Center
- PA Bus Programs
- New York State Commuter Railroad Car Program

AVIATION DEPARTMENT

- John F. Kennedy International Airport
- LaGuardia Airport
- Newark International Airport
- Port Authority Heliports;
  Downtown Manhattan
  West 30th Street
- Teterboro Airport

WORLD TRADE & ECONOMIC DEVELOPMENT DEPARTMENT

- World Trade Center
  World Trade Institute
- Bathgate Industrial Park
- Industrial Park at Elizabeth
- Essex County Resource Recovery Facility
- Hoboken Waterfront Project
- Hunters Point Waterfront Project
- Newark South Ward Industrial Park
- Newark Legal and Communications Center
- Teleport
- Industrial Park at Yonkers
- XPORT Trading Company

Trade Development Offices

- London
- Tokyo
- Zurich

PORT DEPARTMENT

- New York City Passenger Ship Terminal
- Port Authority Marine Terminals:
  Brooklyn/Red Hook Container
  Columbia Street
  Elizabeth
  Erie Basin/Fishport
  Howland Hook
  Port Newark
  Port Jersey/Greenville
  Auto
- Oak Point Rail Freight Link

Sales Offices

- Chicago
- Cleveland
- Eastern
- Latin America

1987 Annual Report

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