The Port Authority of NY & NJ
1981 Annual Report

The Port Authority:
The First Sixty Years

Goethals Bridge 1928
Outerbridge Crossing 1928
Holland Tunnel 1930
Bayonne Bridge 1931
George Washington Bridge 1931
Lincoln Tunnel 1937
Columbia Street Marine Terminal 1944
Kennedy International Airport 1947
LaGuardia Airport 1947
Newark International Airport 1948
Port Newark 1948
New York Truck Terminal 1949
Teterboro Airport 1949
Bus Terminal 1950
Hoboken Marine Terminal 1952
West 30th Street Heliport 1956
Brooklyn Marine Terminal 1956
Elizabeth Marine Terminal 1958
Erie Basin Marine Terminal 1958
Downtown Heliport 1960
PATH 1962
George Washington Bridge Bus Station 1963
The World Trade Center 1970
New York City Passenger Ship Terminal 1974
Journal Square Transportation Center 1975
Red Hook Marine Terminal 1981
Bathgate Industrial Park 1981

Honorable Thomas Kean, Governor
State of New Jersey

Honorable Hugh L. Carey, Governor
State of New York

Your Excellencies:

In accordance with the Port Compact of 1921, we are pleased to submit to you and to the legislatures of the States of New Jersey and New York the 1981 annual report of The Port Authority of New York and New Jersey.

April 7, 1982

Respectfully yours,

Alan Sagner
Chairman

Robert F. Wagner
Vice Chairman

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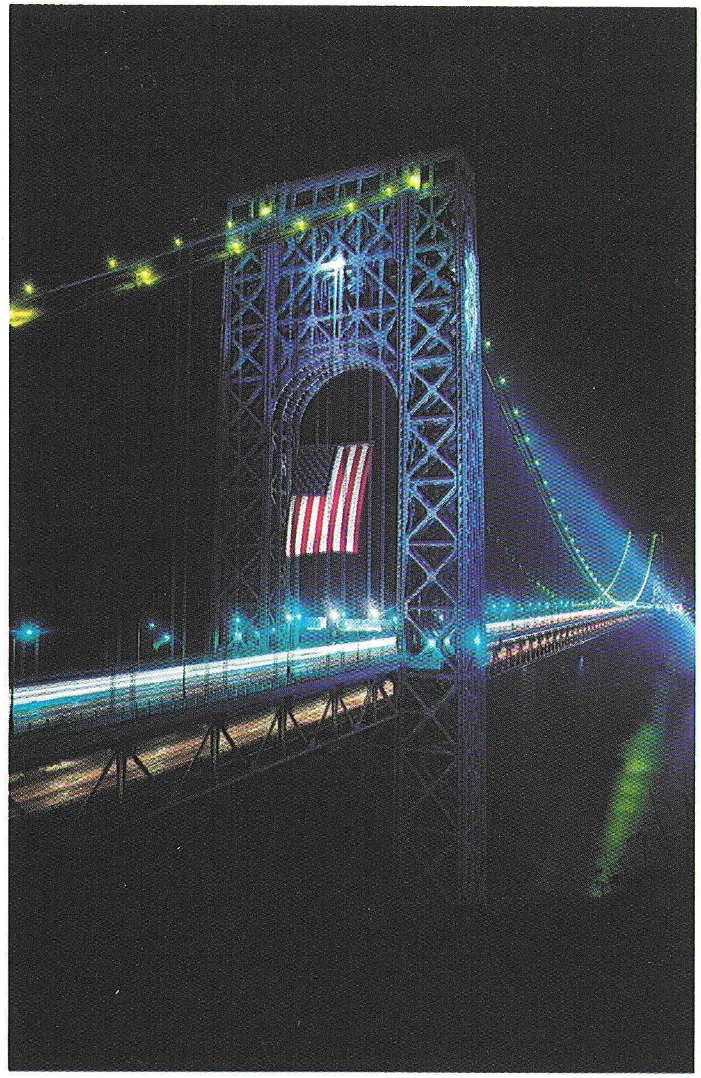


The George Washington Bridge, flag-draped for the occasion, celebrated its 50th birthday on October 25, 1981.

THE PORT AUTHORITY OF NY & NJ

Board of Commissioners

Alan Sagner, Chairman
Robert F. Wagner, Vice Chairman
Joseph F. Cullman 3rd
Jerry Fitzgerald English
Lewis L. Glucksman
James G. Hellmuth
Frank R. Lautenberg
John J. McMullen[1]
Kenneth D. McPherson[2]
William J. Ronan
Howard Schulman
Robert V. Van Fossan
Victor R. Yanitelli, S.J.[3]


Alan Sagner
Principal
Alan Sagner Company


Robert F. Wagner
Attorney
Finley, Kumble, Wagner, Heine, Underberg & Casey


Joseph F. Cullman 3rd
Chairman of the Executive Committee
Philip Morris Incorporated


James G. Hellmuth
Vice President
Bankers Trust New York Corporation


Frank R. Lautenberg
Chairman
Automatic Data Processing, Inc.


John J. McMullen
Chairman
John J. McMullen Associates, Inc.


Dr. William J. Ronan
Vice Chairman
Continental Copper & Steel Industries, Inc.


Howard Schulman
Attorney
Schulman & Abarbanel


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

[1]Commissioner McMullen joined the Board November 20, 1981.
[2]Commissioner McPherson joined the Board February 11, 1981.
[3]Commissioner Yanitelli left the Board June 30, 1981.

Officers and Department Directors

Peter C. Goldmark, Jr., Executive Director

Patrick J. Falvey, General Counsel
and Assistant Executive Director
Robert F. Bennett, Assistant Executive Director
Louis J. Gambaccini, Assistant Executive Director
and Director of Administration

Robert J. Aaronson, Aviation
Sidney J. Frigand, Public Affairs
Francis A. Gorman, Rail Transportation
A. Gerdes Kuhbach, Senior Financial Advisor
Doris E. Landre, Secretary
Donald R. Lee, Audit
Katharine B. MacKay, Executive Assistant
to the Executive Director
John B. McAvey, Comptroller
Albert F. Moncure, General Services
Neal R. Montanus, Industrial Development
Rino M. Monti, Chief Engineer
Edward S. Olcott, Planning & Development
Edward J. O'Malley, Personnel
Dr. Bernard J. Schuman, Medical
Victor T. Strom, Management Services
Anthony J. Tozzoli, Port
Guy F. Tozzoli, World Trade
Joseph L. Vanacore, Tunnels, Bridges & Terminals
Carl M. Wahlberg, Finance
Marshal L. Wilcox, Jr., Treasurer

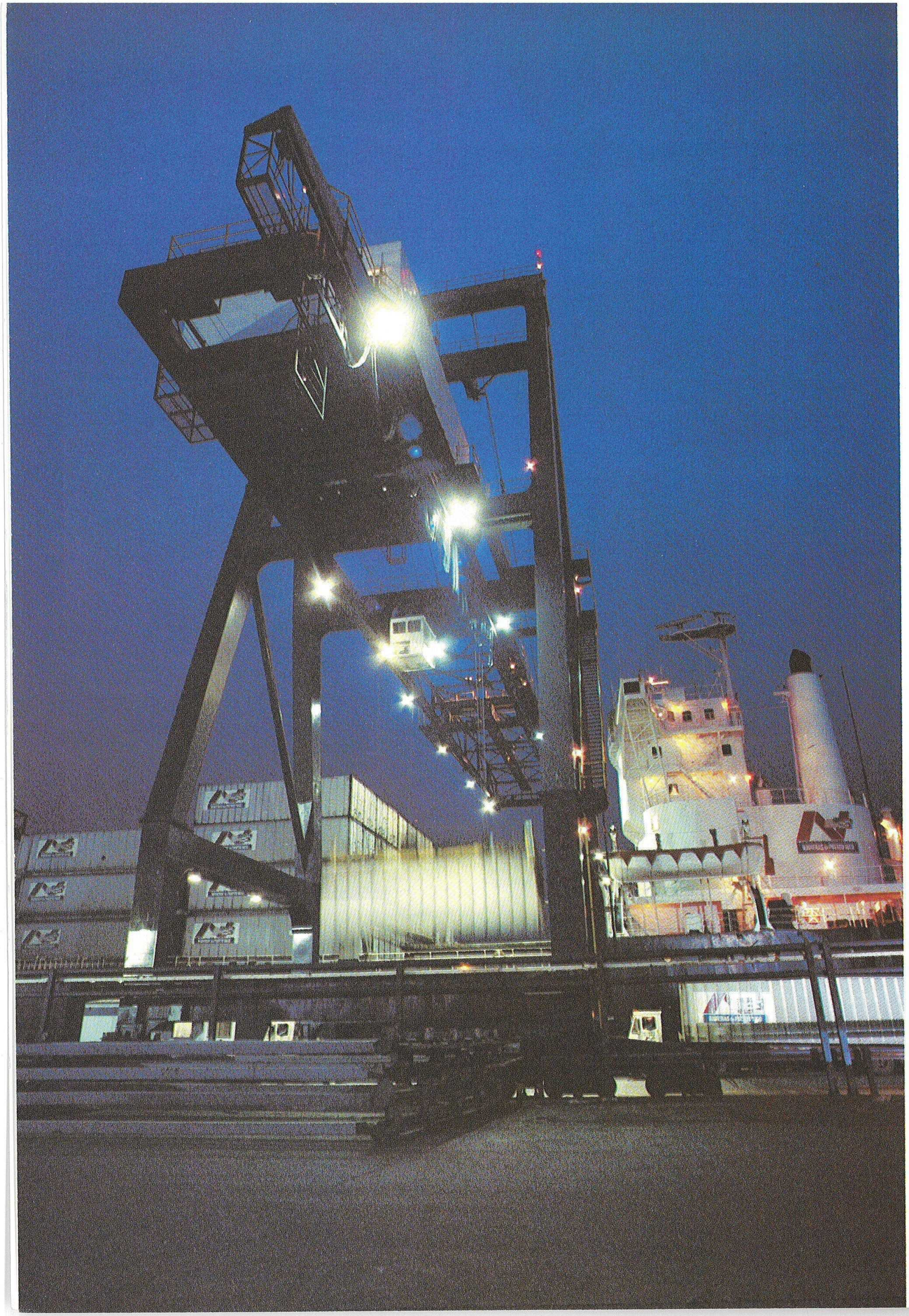
Jerry Fitzgerald English
Commissioner, Department
of Environmental Protection,
State of New Jersey

Lewis L. Glucksman
President and Chief Operating Officer
Lehman Brothers Kuhn Loeb
Incorporated

Kenneth D. McPherson
Attorney
Waters, McPherson, McNeill, P.A.

Rev. Victor R. Yanitelli, S.J.
Pastor, St. Ignatius Loyola Church
and Episcopal Vicar of East Manhattan

Peter C. Goldmark, Jr.
Executive Director



Cargo operations go on beyond sundown at the "Container Capital of America."

The Port Authority—The First Sixty Years

The Port Authority celebrated its 60th anniversary in 1981. In partnership with government, industry, civic and business groups, the Port Authority improved its service to the public, strengthened its managerial and financial capability, and expanded its contributions to the economic vitality of the New York-New Jersey Metropolitan Region.

Advancing the Region

Creating Jobs

Port Authority projects, most of which are planned for completion by mid-decade, will generate an estimated 34,600 construction and construction-related jobs. The projects are forecast to provide the region with 9,400 new permanent jobs as well. Overall, at the latest count, New York and New Jersey residents hold a total of 265,000 direct and indirect permanent jobs related to Port Authority operations and to transport operators and tenants at Port Authority facilities.

Estimated Job Generation in the New York-New Jersey Metropolitan Region through Major Port Authority Projects

	Construction-Related	New Permanent	Program Amount (in millions)
Aviation			
Facility Improvements	725	—	$ 50.1
Hotel at NIA	1,150	300	40.1
People Express	—	700	—
Eastern Terminals	3,825	350	140.5
Delta Terminal	2,500	350	110.0
TWA Terminal	1,125	—	30.0
Federal Inspection Services	450	—	20.2
Cargo/Airmail	2,175	500	68.9
Route 81 Access	2,500	—	81.0
Grand Central Parkway Exit	125	—	7.0
Port			
Cargo Handling	1,025	275	68.7
Warehousing	1,675	425	66.9
Rail Freight	2,475	150	100.0
Ground & Mass Transportation			
PATH System Rehabilitation	525	—	33.1
Buses and Mass Transit	—	—	810.0
Bus Terminal	5,700	500	225.8
Trans-Hudson Crossings	725	—	26.1
World Trade Center			
WTC Improvements	400	50	20.3
Vista International Hotel	1,875	800	60.0
Fire Safety Program	1,600	—	59.0
Industrial Development			
Elizabeth	2,875	3,000	136.0
Bathgate	575	1,000	26.0
Howland Hook	575	1,000	31.0
TOTALS	34,600	9,400	$2,210.6
Port Authority Funds			$905.0
Non-Port Authority Funds			$1,305.6

A 'construction-related' job is equivalent to the work done by a single person over one year.

New York Air opened a new headquarters in New York City and began operating out of LaGuardia and Newark International airports.

One of the 211 new Port Authority buses now in service in New Jersey.

Mass Transportation

During the year, 844 new buses purchased by the Port Authority were leased to the New Jersey Transit Corporation, the New York City Transit Authority and MABSTOA, and Nassau County. These purchases were in accord with legislation enacted in 1979 by New Jersey and New York under which the Port Authority was authorized to spend up to $120 million for buses and bus-related facilities in each state. The $240 million is part of a $400-million mass transportation capital program. With eleven articulated buses to be received in 1983 and used by Westchester County, the Port Authority has now purchased or agreed to purchase a total of 1,030 buses at a commitment of $148.7 million. The remainder of the $240 million will be spent

Journal Square,
a modern PATH
station.
PATH reached
a record ridership
of over 47
million in 1981.

during the next two years under a schedule established by the state officials responsible for the program.

At year-end, legislation was pending to authorize the Port Authority, subject to appropriate certifications, to acquire up to an additional $200 million in new buses and bus-related facilities to be used equally in the two states.

The PATH safety modernization and improvement program progressed in 1981. Fire standpipes were installed in New Jersey stations and emergency exits. An emergency power supply will provide uninterruptible communications during power outages, and most tunnel areas are now illuminated by fluorescent lamps.

Criminal offenses on PATH were reduced by more than 17 percent in 1981, a period when the national crime rate continued to rise. Innovative uses of PATH police are credited with the reduction.

Plans were under study to replace PATH's outmoded and inadequate car repair facility at Henderson Street in Jersey City, in use since 1910. Plans are also being made to replace or rehabilitate the fleet's older cars, in service for the past 24 years.

PATH service disruptions due to the faulty operation of Conrail's Hackensack River lift bridge required the authorization of $5.6 million for repairs. Work also began on a $3.8-million signal rehabilitation program along a four-mile stretch between the bridge and Penn Station-Newark.

Projects Under Way

Industrial park projects in the Bathgate Avenue section of the Bronx, at Howland Hook in Staten Island and in Elizabeth, New Jersey, were authorized by the Board of Commissioners in March, 1981. The Bathgate industrial park was certified a facility of the Port Authority in October, 1981, to be undertaken jointly with the City of New York.

Final agreement to develop the Elizabeth and Bathgate parks has been reached with the municipalities, and negotiations are expected to be completed in 1982 on Howland Hook. Environmental conditions at the Elizabeth site, a former waste disposal area, were under analysis at year end. In the meantime, the Port Authority continues its full-scale marketing program to attract manufacturing firms to the region.

Memorandums of understanding were signed in April 1981 with Essex County and the mayor of Newark to develop a 26½-acre site as a joint resource recovery facility. The Council of the City of Newark had the memorandums under consideration at year-end.

The Red Hook Marine Terminal in Brooklyn, a Port Authority project financed through a joint city-state program, began operating on schedule in mid-1981 with two container cranes. A ten-acre expansion, scheduled for completion in the fall of 1982, will bring the terminal to full operational capacity. The terminal can handle up to

Plans to replace PATH's outmoded and antiquated Henderson Street car repair facility in Jersey City, in use since 1910, are under study.

The Port Authority trains and employs women in nontraditional jobs.

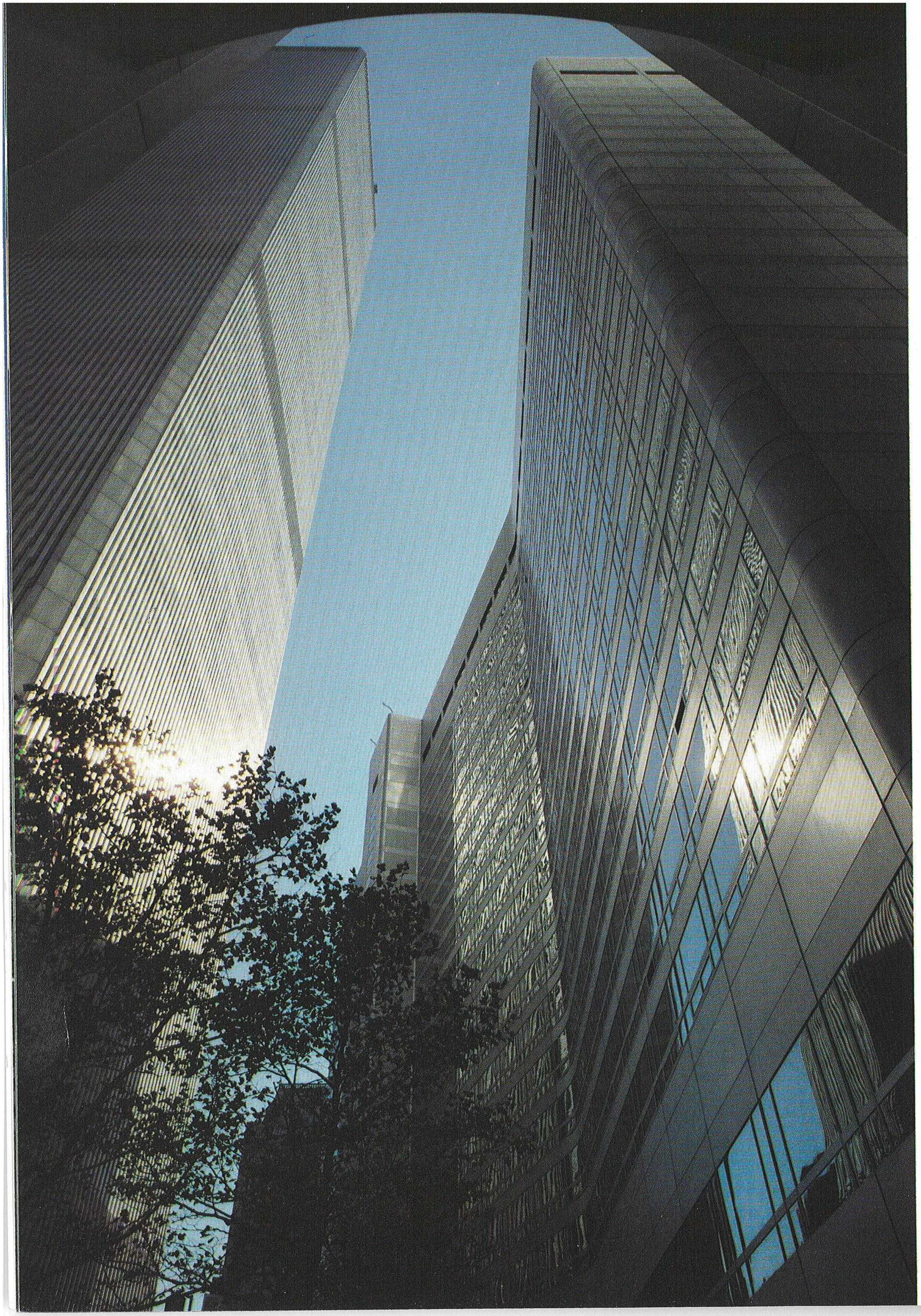
40,000 containers as well as breakbulk cargoes for an estimated 1.5 million revenue tons a year.

The Port Authority has agreed to provide site modifications at an estimated cost of $2.5 million for a new "transtainer" system at Port Newark-Elizabeth. The new system, to be completed by mid-1982, will use automated wheel-mounted cranes to ground, stack and retrieve individual containers within the storage area.

The Port Authority increased its marketing of breakbulk terminals to offset the cargoes lost to containerization. Port Newark berths were used to export a million tons of coal silts, salt, pumice, soda ash and other bulk commodities.

Foreign Trade Zone No. 49, comprising 208,000 square feet in two buildings at Port Newark-Elizabeth, officially opened for business on March 2, 1981, offering the means to modify, manufacture and store goods free of duty, as an attraction to textile, chemical and electronic industries in particular.

The expressed interest in a wider variety of zone facilities led the Port Authority to apply to the U.S. Department of Commerce to expand Zone No. 49 to



1981 marked the opening of the Vista International Hotel, the first one to be built in downtown New York since 1836.

include the entire 2,230-acre marine terminal. Approval of the application is expected by mid-1982.

A new distribution center on a 6.4-acre site at Port Newark-Elizabeth, for the operators of one of the new foreign-trade zone facilities, is expected to be completed in the spring of 1982.

The Port Authority and New York City continued to advance the joint development and funding of a foreign-trade facility in Howland Hook on Staten Island. Thirty-five acres of the 60-acre site would become an industrial park for marine-related manufacturing operations.

A temperature-controlled meat-handling facility, capable of accommodating two million pounds of frozen meat per day, was completed during the year and began operating at Port Newark.

Construction of the Route 81 Exit 13A Interchange, a project to improve access in the area of Newark International Airport and the Port Newark-Elizabeth marine terminals, was on schedule throughout the year. One section opened and completion of the entire project is due by mid-1982. The Port Authority share of the project, under an agreement with the New Jersey Department of Transportation and the New Jersey Turnpike Authority, will approximate $37.3 million.

The Port Authority continued its role in Save Our Port, a bistate coalition of business, government, industry and labor. The coalition was successful in keeping the port's berths and channels at navigable depths, and in advancing the State of New York's Hudson River PCB Reclamation Project. The coalition made progress on the Army Corps of Engineers' Subaqueous Borrow Pit (Disposal) Demonstration Project. The suspension of categorical dredging permit restrictions in New Jersey and a general speeding-up of the interagency dredging permit review process were also achieved. Liaison is maintained with the port congressional delegation and the Vice President's task force on regulatory relief to improve ocean disposal laws and regulations.

In partnership with both states, the Port Authority took the lead in establishing the Freight Service Improvement Conference, a permanent body of representatives from the public and private sector. The conference has begun to develop operational, environmental and marketing strategies in the regional systems of handling freight by truck, rail, ship and plane.

Deregulation of the motor and rail carrier industries enabled the Port Authority to work out regional advantages with Conrail in the port's rail rates and on-time rail performances. The opportunity now exists to obtain similar improvements from motor carriers.

Approximately $2.75 million of the $38.7 million authorized for the Oak Point link has been advanced for planning and environmental work. The link is a critical part

The Erie Basin in Brooklyn is under study as the site of a proposed commercial processing and distribution fishing industry complex.

The Director of Industrial Development manning a Port Authority display booth at the "Invest in American Cities Conference" in Zurich, Switzerland, in October 1981.

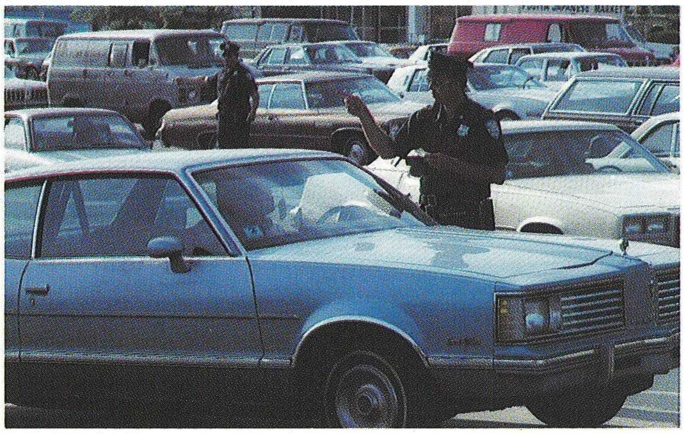
of New York State's Rail Freight Clearance Improvement Project from Albany to the Bronx and to Long Island and the Brooklyn waterfront. The project is in the draft environmental impact statement phase and, if the necessary permits are obtained, construction could start before year-end 1982.

Projects Planned

Increasing overseas demand for U.S. coal and a potentially large demand by northeastern utilities as they move toward fuel conversion led the Port Authority to investigate developing a rail-to-vessel coal handling facility in the New York-New Jersey harbor, as an alternative energy source and as a tool for economic revitalization of the region.

The Port Authority acted to acquire acreage in the Port Jersey area of Bayonne and Jersey City and the Greenville Yard properties of the former Pennsylvania Railroad Company on the Jersey City waterfront. It is the Port Authority's hope that one of these sites will prove environmentally and economically feasible for a modern

Brooklyn's Red Hook Marine Terminal, dedicated and opened for service in 1981, will reach full operating capacity with the 1982 completion of a ten-acre expansion.



Port Authority police officers, members of a 1,100-person force empowered in both states, expedite traffic at all Port Authority facilities.

coal port, and that the second site can be developed jointly with the other municipality.

The Port Authority continued its study of a crude-oil delivery system involving a deepwater ocean channel to Stapleton, Staten Island, and overland piping to the refineries and storage areas in New Jersey.

In keeping with its intent to develop innovations of regional or national value to conserve energy or reduce its costs, the Port Authority continued with experiments and studies under grants, such as the testing of a fleet of electric vehicles assigned to service at its facilities.

The Port Authority continued to investigate the value of establishing a regional satellite communications center. A 400-acre New York City-owned site on Staten Island, where satellite earth stations may operate without radio frequency interference, was found. By year-end, the Port Authority was involved in discussions with New York City for the land and with a telecommunications firm for the development of the center in time to meet the satellite launches scheduled for 1983. In the meantime, the potential of the fiber optic link for stimulating development in the New Jersey, Brooklyn and Queens communities through which it may pass will be under study.

In furtherance of its interest in the region's infrastructure problems and in working out renewal strategies, the Port Authority brought the issue before regional leaders and developed instruments to survey infrastructure conditions. Both New York and New Jersey were helped with proposals for the creation of new water authorities, and the Port Authority gave financial planning assistance to the New Jersey Department of Transportation regarding operating needs and capital improvements.

In accordance with guidelines developed at the Port Authority-convened Waterfront Redevelopment Conference in 1980, studies of mixed-use development at a number of sites along the 750-mile shoreline were continued, with major concentration on Hoboken and Staten Island, in cooperation with the municipalities and appropriate state agencies.

The Port Authority has taken under consideration the establishment of a commercial processing and distribution fishing complex at Erie Basin, Brooklyn.

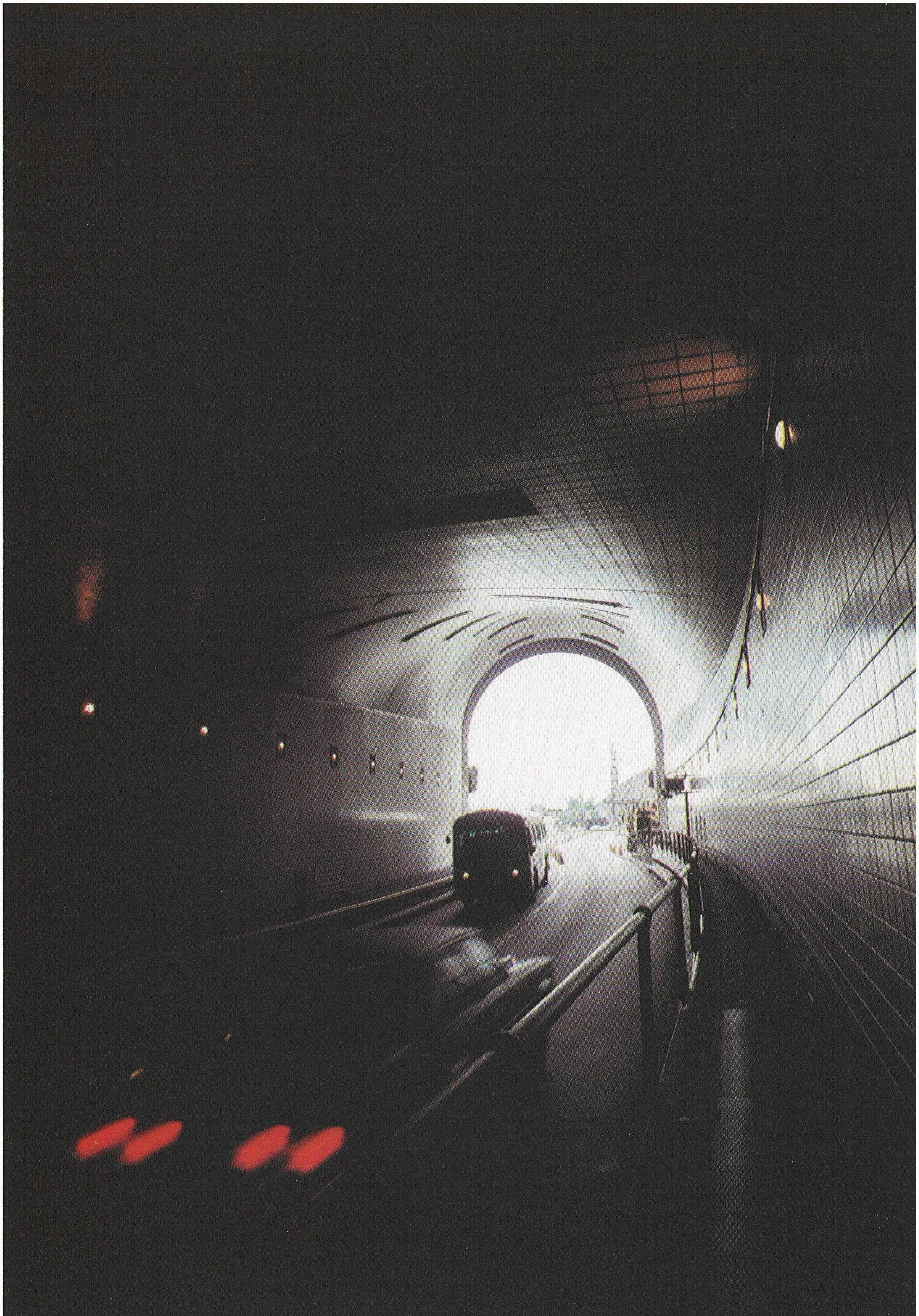
Promotion and Marketing

The Port Authority joined both states in intensified promotional campaigns to increase regional commerce by air and by sea. Under the joint aegis of the World Trade Centers Association and the Port Authority, a successful trade mission to Taiwan was undertaken in November 1981. Prescreened domestic manufacturers were selected and paired with Taiwan entrepreneurs—a new technique producing firm sales and representational accords.

A stepped-up overseas advertising campaign and a number of new seminars with overseas air travel arrangers helped to keep the port competitive in the international tourism market. New advertising and promotion programs were mounted and the New York/New Jersey Aviation Facilitation Council was organized, representing a number of agencies and business organizations.

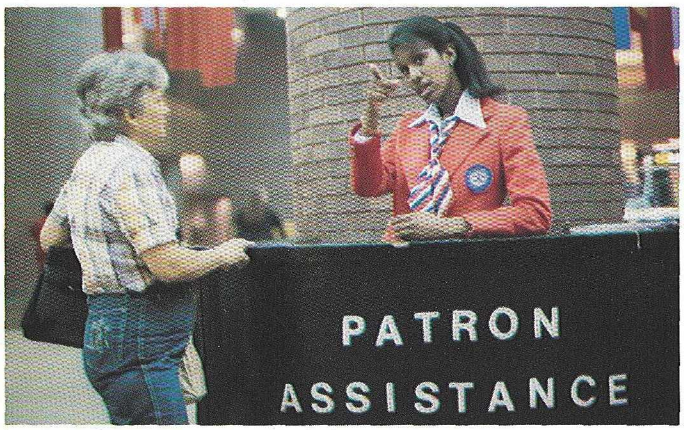
A new passenger/auto cruise service will be offered in 1982 with the October maiden voyage of the *Scandinavia* from the New York City Passenger Ship Terminal, the region's cruise center, where necessary modifications are being made to Pier 94.

The World Trade Institute, educational arm of the World Trade Center, provided some 600 programs for 8,000 participants, making 1981 its most successful year of operation to date. Under an assisting grant from the U.S. Agency for International Development, the institute also provided 89 consultant projects and programs in 47 developing countries. In the New York and New Jersey area, the Regional Export Assistance Program developed



Looking toward
New Jersey from
the 8,216-foot
center tube of the
Lincoln Tunnel.

A new passenger departure lounge at the Port Authority Bus Terminal for air travelers bound for Newark International Airport.



One of a cadre of patron aides stationed throughout the bus terminal to provide information and assistance to the traveling public.

export sales during the year for participating manufacturers. The Port Authority also began investigating the feasibility of creating a regional export trading company to encourage small- and medium-sized manufacturers to begin exporting.

For the sixth year the Port Authority served as regional host of the Harbor Festival, an annual port celebration established in the bicentennial year and held over the Independence Day holidays for resident and tourist alike.

Hundreds of thousands of potential PATH riders were reached through radio spots, newspaper advertisements and through a greatly expanded distribution of informational and promotional materials dedicated in the main to increasing off-peak and weekend ridership.

Under a continuing Minority Business Enterprise Program, Port Authority and PATH awarded 10 percent of all purchase orders to minority-owned firms and suppliers for the second year—a total award in 1981 of $6 million.

The Port Authority continued to administer the New York State drayage subsidy, a reduction in the cost of moving import-export container traffic between the New Jersey railheads and the wharves of Brooklyn and Staten Island. The program equalizes drayage charges throughout the port and improves its competitive position.

To advance and protect the region's competitive position, the Port Authority monitored and intervened in relevant rate and route cases before the Federal Maritime and Interstate Commerce commissions and the Civil Aeronautics Board.

Improving Service to the Public

The opening of the north wing of the Port Authority Bus Terminal was celebrated in May 1981 as a 42nd Street neighborhood event. Modernization of the original terminal building advanced. Patron services were improved through better public communications and maintenance of a cadre of patron aides. A campaign for marketing the stores in the terminal was launched. When completed, the new facility will provide some 170,000 daily bus passengers with weatherproof, spacious accommodations and shopping convenience.

Forecasts indicate that the growth of regional aviation will tax the peak-hour capacity of present ground access to the region's three major airports. The Port Authority has been working with government and community interests on a federally-funded alternatives study to develop environmentally sound, airport access improvements.

Despite the PATCO walkout, deregulation and high fuel costs in a period of continued recession and inflation, the year brought an increase in the number of passengers and tons of air cargo. There was also an increase in the number and variety of airlines serving the region, and an expansion of Port Authority and tenant facilities.

Newark International Airport led the region in the increase of passenger traffic, a remarkable 10% increase in a year of severe recession for the airline business. This was largely due to the entry of four low-fare airlines—People Express, Air Florida, New York Air and Capitol Air. People Express is the first airline to choose the airport for its company headquarters. A lease was authorized for private financing and construction of Newark's first on-airport hotel, and a lease was signed for a new airmail facility, with construction to start in the coming year. In preparation for scheduled international flights, the Port Authority will construct federal inspection facilities in Terminal C. Passenger facilities in the North Terminal were expanded. A major air express facility for distribution and dispatch of packages was proposed, and a fixed-base operator will lease a 37-acre site for construction of a business aircraft service center. A special Newark International departure lounge for passengers was provided at the Port Authority Bus Terminal, and New Jersey Transit

The new North Wing, part of the modernization and expansion of the Port Authority Bus Terminal.

Newark International became company headquarters for this new airline.


Multilingual staff run the Students Assistance Desk at Kennedy International under the auspices of the YMCA and the International Student Service.

service to the airport was substantially increased. Manhattan air travelers began to use the improved services to and from the airport in far greater numbers than ever before.

At LaGuardia Airport, the new Eastern Airlines shuttle terminal began operations and preliminary work began on a new Delta terminal. New York Air and Republic Airlines also began operations from their own leased facilities. Eastern outlined plans to expand its area in the main terminal to accommodate new aircraft and the new LaGuardia airmail facility was completed. The nexus of taxiways west of Runway 4-22 was expanded to increase takeoff capacity.

At Kennedy International, TWA took over National's unit terminal and established a two-terminal complex, one for domestic traffic and one for international. The one-dollar fare for the intra-airport bus service was dropped in favor of free service in the interest of speeding up interline connections. The Flying Tiger Line began using the former National Airlines hangar for handling cargo, and Eastern Airlines completed a new hangar for widebody aircraft.

A revised lease with the City of New York was agreed upon for the continued operation by the Port Authority of Kennedy International and LaGuardia airports.

The George Washington Bridge, celebrating its 50th birthday this year along with the Bayonne Bridge, had a new tolls plaza near completion on its upper level with a renovated toll house in keeping with the new design. Twelve new toll lanes replaced 11 that had seen 25 years of service. The lower level roadway was repaved.

At year-end the World Trade Center was 97 percent rented. Support services, most of which are on the concourse level, now total 49 retail stores, 10 banks, 11 airline counters and three airfreight forwarders. Substantial increases in retail sales contributed additional revenues. In addition, aggressive and innovative revenue management, as well as a favorable office rental market, brought in rental payments well in excess of 1980 figures.

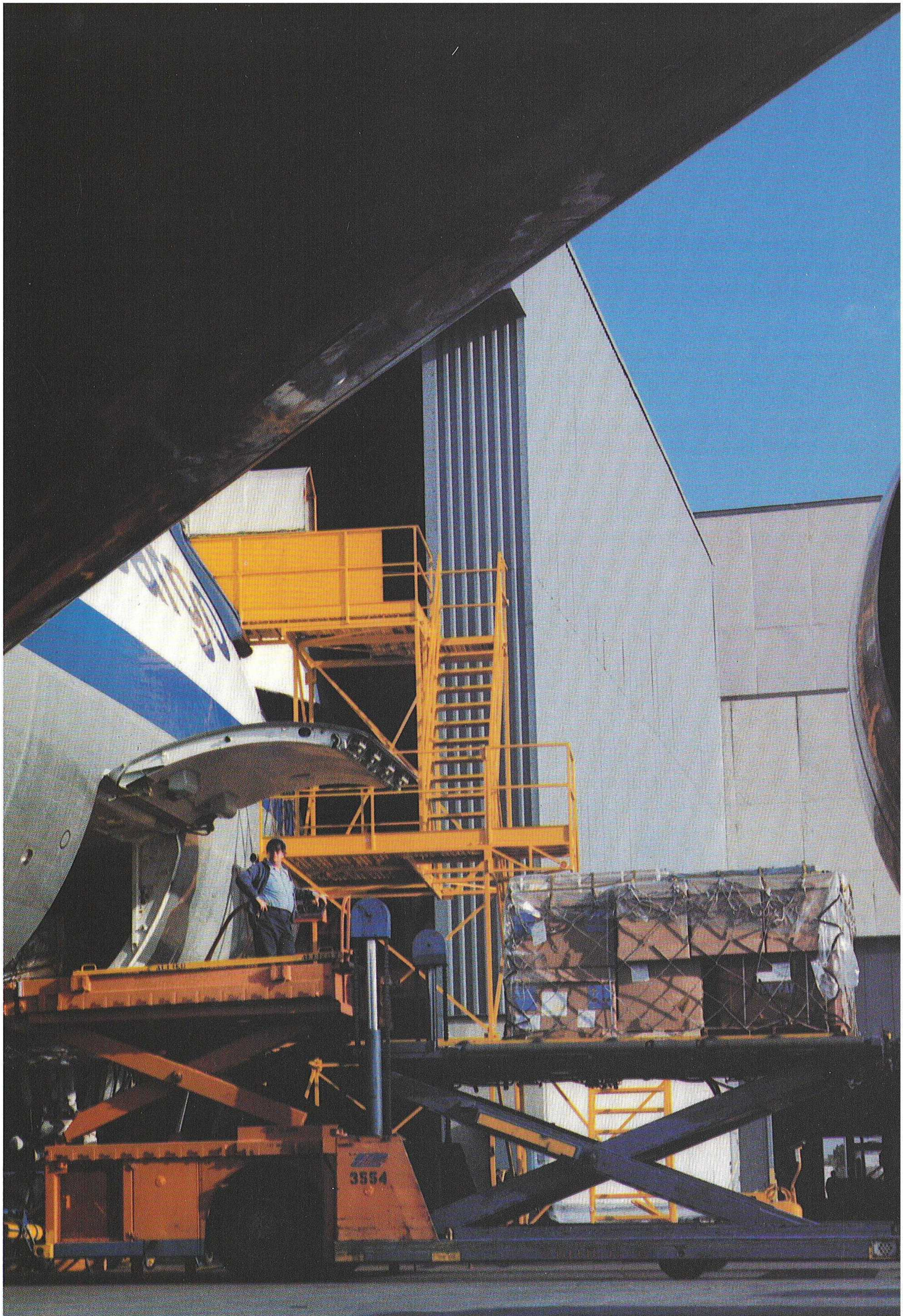
The consolidation of the Port Authority's own space in the World Trade Center to release more rental and revenue-producing space in One World Trade Center was largely accomplished during the year. Four previously Port Authority-occupied floors, a total of 160,000 square feet of office space, had been rented by outside tenants at year-end. A fifth floor is scheduled for release early in 1982.

The Observation Deck on Two World Trade Center attracted nearly 1.5 million visitors, breaking all previous records and bringing the total to more than eight million since its 1975 opening.

The possible sale of all or part of the World Trade Center is under continuing study by the states, the City of New York and the Port Authority.

Energy Saving

The Port Authority has maintained its policy of reducing its energy consumption through conservational techniques and technological innovations since the oil embargo of 1973. At the World Trade Center alone, steam consumption has been reduced by 64 percent and consumption of electricity has been kept at an average annual usage of 220 million kilowatt hours over an eight-year period. The reductions in the use of energy were achieved despite the fact that tenant-occupied space increased from 1.7 million square feet to 11.1 million square feet during the same period. Total consumption of energy at all facilities in the past eight years has been reduced by 52 percent and consumption of heating oil by approximately 80 percent through substitution of alternate energy sources.



In 1981, Port Authority airports accommodated 54 million passengers and 1.3 million tons of air cargo.

February 26, 1982

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

The Finance Section of the Annual Report which appears on pages 16 to 40 includes a summary of the Port Authority's basic policies and financial structure together with a general discussion of the principal financial activities which occurred during the year ended December 31, 1981. Also included are the Consolidated Statements of Income, Changes in Net Assets, Financial Position and Changes in Financial Position and the related notes all of which have been prepared by the Port Authority in accordance with generally accepted accounting principles.

Schedules A, B and C are prepared pursuant to Port Authority bond resolutions and legal requirements as described in Note A-9. The Port Authority conducts its operations in accordance with such resolutions and legal requirements. 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.

The Port Authority is dedicated to providing the highest quality public service and hires and develops personnel to that end. The agency's activities are carried on by line and staff departments. To assist in guiding the operation of each of these departments, detailed policies and procedures are published and communicated to all employees.

To reasonably assure compliance with policies and procedures and to protect the Port Authority's assets, a system of internal controls including budget guidelines has been developed. This system is strengthened and supplemented by a staff of internal auditors which conducts examinations of the Authority's operations and reports on management's performance. There are inherent limitations that should be recognized in considering the potential effectiveness of any system of internal accounting 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.

A firm of independent public accountants, retained by the Port Authority, conducts examinations in accordance with generally accepted auditing standards and meets with the Audit Committee of the Board of Commissioners. Pursuant to a policy of rotation for the retention of independent auditors, Touche Ross & Co. was retained to examine the financial statements of the Port Authority for the year ended December 31, 1981. The report by the independent accountants on the Port Authority's 1981 Financial Statements appears on page 22 of the Annual Report. As part of its annual examination, Touche Ross & Co. performed a study and evaluation of the system of internal accounting control of the Port Authority and has expressed its opinion, which appears on page 21 of the Annual Report.

Executive Director

Director of Finance

Highlights	**1981**	**1980**
Gross Operating Revenues	**$ 699,100,000**	$ 647,600,000
Net Operating Revenues	**211,400,000**	210,400,000
Net Revenues Available for Debt Service and Reserves	**316,300,000**	299,500,000
Debt Service Charged to Revenues and Reserves	**200,900,000**	185,300,000
Cumulative Invested in Facilities	**4,375,500,000**	4,148,300,000
Bonded Debt Outstanding, in accordance with Port Authority bond resolutions	**1,972,300,000**	1,930,800,000
Bank Loans Outstanding	**62,500,000**	93,800,000
General Reserve Fund	**210,600,000**	210,600,000
Consolidated Bond Reserve Fund	**330,100,000**	287,800,000
Reserve Funds in Trust	**4,800,000**	6,100,000

Basic Policies and Financial Structure

The Port Authority is a municipal corporate instrumentality of the States of New York and New Jersey created by compact between the two states in 1921 with the consent of the Congress of the United 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, defined in the compact, which comprises an area of about 1,500 square miles in both States, centering about New York Harbor.

The Port Authority undertakes only those projects authorized by the two states.

The governor of each state appoints six of the twelve members of the governing Board of Commissioners, subject to confirmation by the respective state senates. Each governor has from time to time exercised the statutory power to veto the actions of the commissioners from his state.

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.

The Executive Director is responsible for the management of the daily operations of the agency's 26 facilities through line and staff departments comprising 7,800 career personnel. He also guides proposals to the point of presentation to the Board of Commissioners, including the planning and developing of recommendations to the two states and the federal government to increase and expedite Port District commerce.

As a public corporation combining sound business and governmental principles and practices, the Port Authority endeavors to provide high quality public service and employs and develops personnel to that end.

Detailed policies and procedures are promulgated and communicated to all employees to guide the operation of each department. To assure compliance with the Port Authority's standards and to protect the assets of the Port Authority, a system of internal controls has been developed. This system is reviewed by a staff of internal auditors which conducts examinations of the Port Authority's operations and reports on management's performance to the Executive Director and the Audit Committee.

A budget incorporating limits on expenditures is adopted annually after stringent examination of all proposed expenditures. It is designed to enable the Port Authority to continue in the most economical manner the construction and operation of its facilities to the maximum public benefit. Continuous planning is undertaken to prepare for future developments.

The Port Authority's financial affairs are administered by Carl M. Wahlberg, Director of Finance, John B. McAvey, Comptroller, Marshal L. Wilcox, Jr., Treasurer, and A. Gerdes Kuhbach, Senior Financial Advisor.

The compact envisions the Port Authority as being financially self-sustaining; and, as such, it must obtain the funds necessary for the construction or acquisition of facilities upon the basis of its own credit, 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.

Since its creation, the Port Authority has issued over $4.9 billion in obligations, including $125,000,000 issued solely as additional security for the payment of three bank loans obtained in 1977, of which over $2.0 billion was outstanding on December 31, 1981.

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 at least 10 percent of the total par value of the Port Authority's outstanding bonded debt, in accordance with Port Authority bond resolutions, secured by a pledge of such Fund. After payment of debt service on Consolidated Bonds and Notes, and payment into the General Reserve Fund of such amounts as may be necessary to maintain that Fund at its statutory amount, all net revenues upon which such Bonds and Notes have a first lien are paid into the Consolidated Bond Reserve Fund.

Currently, the General Reserve Fund and the Consolidated Bond Reserve Fund are pledged in support of all the Port Authority's outstanding bonds and notes other than New York State Guaranteed Commuter Car Bonds and the Port Authority's bank loans.

Bonds for an additional facility cannot be issued with a pledge of the General Reserve Fund unless the Port Authority commissioners certify to investors that the issuance of the bonds, or that such a pledge, will not materially impair the Port Authority's sound credit standing, the investment status of its bonds or its ability to fulfill its commitments and undertakings.

It is the Port Authority's long-established policy to retire debt as rapidly as sound financial management permits and to maintain, at year-end, in its reserve funds, including reserve funds in trust, a combined amount equal to at least the amount of the next two years' mandatory bonded debt service. Acceleration of debt retirement before mandatory dates may be accomplished by use of the General Reserve Fund only to the extent that available reserve funds exceed the ensuing two years' mandatory bonded debt service.

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 deficit financing 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 provision to Port Authority obligations issued after May 10, 1973.

The establishment of Consolidated Bonds, Series Forty-two R, due July 15, 2011, at a maximum interest rate not in excess of 6.50 percent, was authorized on February 14, 1980, for the purpose of refunding, on July 15, 1986, $100,000,000 in principal amount of Consolidated Bonds, Forty-second Series, First Installment, 8.20 percent, due July 15, 2011. The authorization provided for the issuance of a First Installment of $100,000,000 of such Series. There are no present plans to refund any other obligations of the Port Authority although there had been substantial consideration of this possibility in the past.

The establishment of Consolidated Bonds, Forty-ninth Series, Fiftieth Series and Fifty-first Series, due January 15, 2016, July 15, 2016 and January 15, 2017, respectively, bearing interest at a rate for each such Series not in excess of 16 percent per annum was authorized, for purposes of capital expenditures in connection with the Port Authority's facilities, on October 29, 1980, as amended October 28, 1981. The authorization provided for the issuance of a First Installment of up to $100,000,000 of each such Series, provided that the total aggregate principal amount of all such Series would not exceed $200,000,000.

Financial Presentation

The Port Authority's consolidated financial statements are prepared in accordance with generally accepted accounting principles. They include a provision for depreciation on facilities in accordance with recommendations made by the accounting profession for state and local governmental units and adopted by the Port Authority in 1974. The statements also include information on Port Authority operations by operating segment. These financial statement presentations do not in any way change the net revenues or reserves or their applications as they are defined and governed by the Port Authority's bond resolutions and reflected in Schedules A, B and C. These resolutions provide that net operating revenues be calculated without allowance for depreciation. Rather, facility capital costs are provided for through deductions from net revenues and reserves of amounts equal to principal payments on debt or appropriations to Invested in Facilities.

The following information refers to Schedules A through F:

Combined Operations in Brief

The current year's gross operating revenues totaled $699,113,000, an increase of 7.9 percent over 1980. This growth reflects the continuing development and utilization of the Port Authority's facilities. The additional bus and bus related mass transportation projects and the Port Authority Bus Terminal extension and modernization, undertaken in connection with the 1975 increase in tunnel and bridge tolls, are described on pages 5 and 7.

This year's operating expenses amounted to $487,758,000, an increase of 11.6 percent over 1980.

Financial income on securities held in the reserve, operating and capital funds was $104,939,000 which resulted from investment income of $101,321,000, including a $13,116,000 gain on the purchase of Port Authority bonds, an upward adjustment of $1,135,000 in the value of short-term government securities held in these funds and $2,483,000 of miscellaneous income.

Thus, net revenues available for debt service and reserves were $316,294,000.

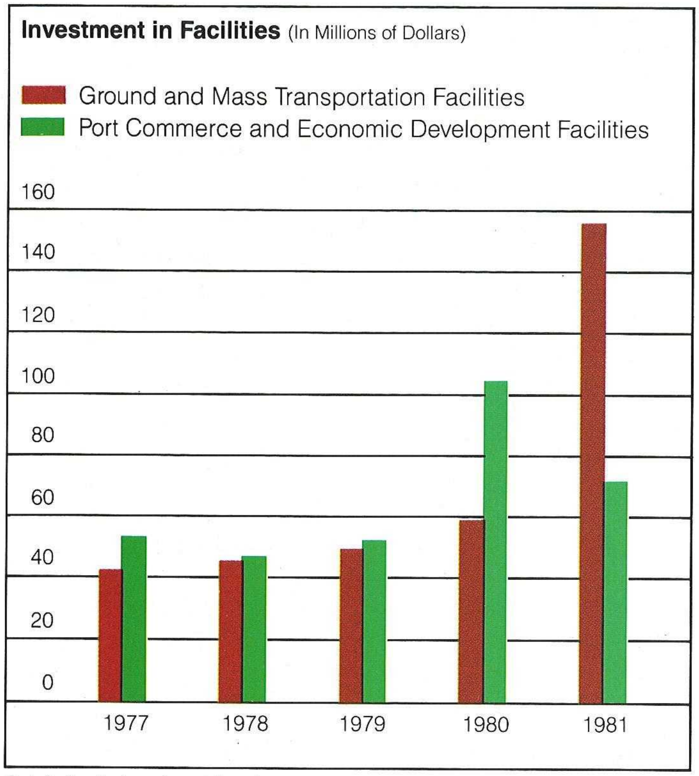
Interest on the Port Authority's debt charged to operations and reserves totaled $106,080,000 and bonded debt amortization amounted to $63,560,000. In addition, $31,250,000 in principal payments was made to reduce outstanding bank loans in accordance with agreements with the banks. Total debt service charged to revenues and reserves, including reserve funds in trust, therefore, was $200,890,000.

Financial Position at Year-End

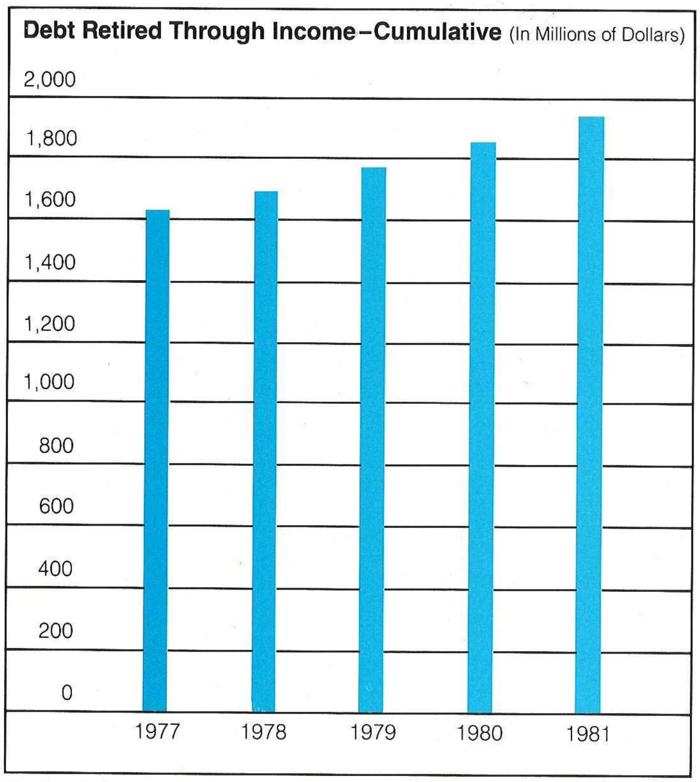
As of December 31, 1981, the total assets of the Port Authority, as represented by the cumulative amount invested in facilities and balances in construction, operating and reserve funds, were $5,270,728,000, an increase of 5.6 percent, or $277,348,000, over last year.

Facility capital costs prior to 1980, in accordance with generally accepted accounting principles, include net interest expense from the date of issuance of the debt incurred to finance construction until completion of the capital project. Consistent with Financial Accounting Standard No. 34, Capitalization of Interest, effective January 1, 1980, facility capital costs only include the interest expense incurred on such debt after 1979 relating to construction in progress.

The amount invested in facilities rose by $227,000,000, including interest during construction of $5,309,000 on



Port Authority investment has increased over the past five years with Ground and Mass Transportation facilities increasing substantially in 1981 as a result of Bus Program expenditures totaling $123 million.



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

bonded debt and bank loans, to a cumulative total of $4,375,490,000 at year-end 1981.

This increase is represented by additional investment in:

Ground & Mass Transportation Facilities	$155,000,000
Air Terminals	39,000,000
The World Trade Center	19,000,000
Marine Terminals	14,000,000

Bonded debt increased during the year by $41,440,000 to a total of $1,972,251,000. During the year, net assets increased by 8.1 percent to a total of $2,943,263,000, about 67 percent of the amount invested in facilities.

Reserve Funds

At year-end 1981, the General Reserve Fund balance was $210,597,000 and continued to meet the prescribed statutory amount of at least 10 percent of outstanding bonded debt, in accordance with Port Authority bond resolutions, secured by a pledge of such Fund. Three bond issues in the aggregate principal amount of $125,000,000 issued by the Port Authority solely as additional security for the payment of three bank loans obtained in 1977 and held in trust for that purpose are included in determining such amount. On December 31, 1981, the Consolidated Bond Reserve Fund had a balance of $330,149,000, after application of $37,706,000 to meet interest and principal installments on bank loans, $75,000,000 to invested in facilities, $20,000,000 for the retirement of Consolidated Bonds in anticipation of future requirements, and $607,000 from self-insurance. The balance of the Special Reserve Fund in Trust, described on page 20 totaled $4,788,000. The sum of these reserves was $545,534,000, which exceeded the next two years' mandatory bonded debt service.

Bond covenants require that the reserve funds be maintained in cash or invested in certain government securities. At year-end, $540,440,000 was invested in securities.

Financial Income

The Port Authority's long-term investment portfolio was invested in securities of or guaranteed by the United States Government and Port Authority bonds. Earnings of $47,571,132 were recorded on an average long-term portfolio of $370,336,000.

Short-term investments, primarily in government securities and money market instruments, resulted in earnings of $53,922,178 on an average investment of $359,511,000.

Prior to 1980, investments in securities, other than Port Authority bonds, were valued at the lower of their aggregate amortized cost or market value. Effective January 1, 1980, the Port Authority revised its method of valuing its investments in securities. Investments in long-term securities (those securities scheduled to mature more than a year after their purchase date), other than Port Authority bonds, are now valued at amortized cost. This accounting change resulted in a cumulative increase in prior years' income of $9,503,000.

Financing

On August 5, 1981, $5,000,000 Consolidated Notes, Series DD, 9¼ percent, due December 31, 1981, was sold to T. Rowe Price Tax-Exempt Money Fund and T. Rowe Price Tax-Free Income Fund. The Notes were retired, as scheduled, as shown on Note D.

On December 2, 1981, $100,000,000 Consolidated Notes, Series EE, 9¼ percent, due December 1, 1984, was sold at a bid price of 98.76 to an investment group headed by Dillon, Read & Co. Inc.

During 1981, $58,560,000 par value of long-term bonds was retired. Long-term bonds with a par value of $38,560,000 were retired through mandatory sinking fund and maturity payments. Those, together with the following bonds with a par value of $20,000,000 which were retired in anticipation of future requirements, account for the total long-term debt retired through revenues and reserves.

Series	Amount
Twenty-first Series	$ 793,000
Twenty-third Series	829,000
Twenty-ninth Series	967,000
Thirtieth Series	481,000
Thirty-second Series	5,350,000
Thirty-third Series	5,415,000
Thirty-fourth Series	755,000
Thirty-fifth Series	910,000
Thirty-sixth Series	730,000
Thirty-seventh Series	950,000
Thirty-eighth Series	1,500,000
Thirty-ninth Series	1,320,000
	$20,000,000

The December 20, 1981, annual installment payments of $12,500,000 on the 1977 bank loan, $12,500,000 on the November, 1977 bank loan (which was thereby fully repaid as scheduled) and $6,250,000 on the additional November, 1977 bank loan were made as scheduled. The unpaid balance of the two bank loans still outstanding was $62,500,000 at year-end.

Additional Information for Bondholders

Consolidated Bonds are direct and general obligations of the Port Authority and its full faith and credit are pledged to the payment of debt service thereon. All Consolidated Bonds are further secured by a pledge of the moneys in the Consolidated Bond Reserve Fund, as provided in the Consolidated Bond Resolution. Furthermore, all Consolidated Bonds, including any which may hereafter be issued, are equally and ratably secured by a pledge of the net revenues of all its existing facilities and any additional facilities which may hereafter be financed or refinanced in whole or in part through the medium of Consolidated Bonds.

The only obligations of the Port Authority which were issued prior to the establishment in 1952 of the issue of Consolidated Bonds and were outstanding during 1981 are the General and Refunding Bonds. In the Consolidated Bond Resolution of 1952, the Port Authority covenanted that no additional General and Refunding, Air Terminal or Marine Terminal Bonds would be issued. By year-end 1970, the Special Reserve Fund (for General and Refunding Bonds), the Air Terminal Reserve Fund and the Marine Terminal Reserve Fund each reached a level sufficient to secure fully the payment of principal and interest to redemption on the outstanding bonds for which such Funds had been established. On December 31, 1970, the Port Authority placed amounts available from such Funds in trust with First National City Bank (now Citibank, N.A.), as Trustee, to secure fully, unconditionally and absolutely the Port Authority's obligation to provide for the redemption as scheduled and the payment of interest until redemption on such outstanding bonds. After the establishment and during the maintenance of these Reserve Funds in Trust, no further payments are required to be made into such Reserve Funds.

As of December 31, 1980, the Port Authority had fully satisfied all debt service requirements on Air Terminal and Marine Terminal Bonds and the Air Terminal and Marine Terminal Reserve Funds in Trust no longer exist. With the establishment and maintenance of these Trust Funds, and with the satisfaction of all outstanding Air Terminal and Marine Terminal Bonds in 1980, net revenues of the Port Authority's existing facilities are applicable to debt service on Consolidated Bonds and Notes and all remaining balances, except such amounts as may be necessary to maintain the General Reserve Fund in the prescribed amount, are payable into the Consolidated Bond Reserve Fund. The net revenues accumulated in the Consolidated Bond Reserve Fund are available to meet debt service on the bank loans obtained by the Port Authority in 1977.

On December 31, 1981, outstanding Consolidated Bonds and Notes totaled $2,092,662,000, including $125,000,000 issued solely as additional security for the payment of three bank loans obtained in 1977. Since 1952, the Port Authority has issued $3,146,650,000 of Consolidated Bonds and Notes, exclusive of refundings.

Touche Ross & Co.

November 25, 1981

Mr. Frank R. Lautenberg, 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, 1981. 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, 1981.

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 loss 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, 1981, 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

GATEWAY I – NEWARK, NEW JERSEY 07102 – (201) 622-7100

Touche Ross & Co.

February 26, 1982

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

We have examined the consolidated statement 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, 1981, and the related consolidated statements of income, changes in net assets and changes in financial position for the year then ended. We also have examined the financial information included in Schedules A through F. Our examination was 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. The consolidated financial statements of The Port Authority of New York and New Jersey and its subsidiary for the year ended December 31, 1980, were examined by other auditors whose report dated February 27, 1981, expressed an unqualified opinion on those statements in conformity with generally accepted accounting principles consistently applied, except for the changes with which they concurred (see Notes A-3 and A-4).

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 at December 31, 1981, and the results of their operations and the changes in their financial position for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. 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 Note A-9. In our opinion, Schedules A, B and C present fairly the consolidated assets and liabilities of the Authority at December 31, 1981, 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 the year ended December 31, 1981 contained in Schedule E, is 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, 1981, in conformity with the basis of accounting described therein, which basis has been applied in a manner consistent with that of the preceding year.

Touche Ross & Co.

Certified Public Accountants

GATEWAY I - NEWARK, NEW JERSEY 07102 - (201) 622-7100

Consolidated Statement of Income

	Year Ended December 31,	
	1981	1980
	(In Thousands)	
Gross Operating Revenues (Note H)	**$699,113**	$647,647
Operating Expenses:		
Employee compensation, including benefits	**255,097**	223,450
Materials, equipment, supplies and contract services	**101,690**	92,665
Heat, light and power	**61,291**	57,580
Rents (primarily related to airport leases) and amounts in-lieu-of-taxes	**44,586**	39,980
Other (Note K-3)	**25,094**	23,524
Total Operating Expenses	**487,758**	437,199
Depreciation on Facilities (Notes A-6 and B)	**107,298**	100,844
Amortization of Costs for Bus Program (Note A-7)	**3,668**	129
Income from Operations	**100,389**	109,475
Financial Income and Expense:		
Income on investments (Notes A-4 and A-8)	**88,238**	75,137
Gain on purchase of Port Authority bonds	**13,116**	12,323
Security valuation adjustment (Notes A-4 and A-8)	**1,135**	(944)
Interest expense (Note A-4)	**(103,630)**	(101,371)
Income Before Cumulative Effect of Change in Accounting Principle	**99,248**	94,620
Cumulative Effect on Prior Years of Changing to a Different Security Valuation Method (Note A-4)	**—**	9,503
Net Income	**$ 99,248**	$104,123

Consolidated Statement of Changes in Net Assets

	Year Ended December 31,	
	1981	1980
	(In Thousands)	
Balance at January 1	**$1,433,507**	$1,318,181
Net Income	**99,248**	104,123
Government Contributions in Aid of Construction (Note G)	**11,420**	11,203
Balance at December 31	**$1,544,175**	$1,433,507

See Notes to Consolidated Financial Statements.

Consolidated Statement of Financial Position

	December 31,	
	1981	1980
	(In Thousands)	
Assets		
Facilities, at Cost (Note B)	**$4,158,616**	$4,061,255
Less Accumulated Depreciation on Facilities	**1,319,970**	1,219,753
Facilities, Net	**2,838,646**	2,841,502
Investments (Notes A-4 and C)	**733,776**	682,373
Cash	**18,859**	15,656
Unamortized Costs for Bus Program (Note A-7)	**137,756**	18,707
Other Assets	**102,122**	91,928
Total Assets	**3,831,159**	3,650,166
Liabilities		
Bonded Debt (Notes A-4 and D)	**1,931,770**	1,875,719
Bank Loans Payable (Note E-1)	**62,500**	93,750
Accounts Payable and Other Liabilities	**287,060**	242,567
Deferred Income	**5,654**	4,623
Total Liabilities	**2,286,984**	2,216,659
Net Assets	**$1,544,175**	$1,433,507
Net Assets are Composed of:		
Net Income Invested in Port Authority Facilities, Operations and Reserves	**$1,393,893**	$1,285,956
Government Contributions in Aid of Construction (Note G)	**150,282**	147,551
Net Assets	**$1,544,175**	$1,433,507

See Notes to Consolidated Financial Statements.

Consolidated Statement of Changes in Financial Position

	Year Ended December 31, 1981	1980
	(In Thousands)	
Funds Provided from:		
Net Income	**$ 99,248**	$104,123
Add-Income charges not affecting funds in the period:		
Depreciation on facilities	**107,298**	100,844
Amortization of certain other assets	**6,055**	6,679
Amortization of costs for Bus Program	**3,668**	129
Funds provided by operations	**216,269**	211,775
Consolidated notes	**105,000**	—
Government contributions in aid of construction	**11,420**	11,203
Net increase in accounts payable and other liabilities	**44,493**	44,369
Net change related to Port Authority bonds purchased by the Port Authority	**14,611**	6,044
Sale of Newark Union Motor Truck Terminal	**—**	3,050
Total Funds Provided	**391,793**	276,441
Funds Applied to:		
Cost of facilities	**104,442**	147,191
Bus program costs	**122,717**	18,836
Retirement of bonded debt	**63,560**	50,159
Repayment of bank loans	**31,250**	31,250
Other net changes in other assets and deferred credits	**15,218**	14,620
Total Funds Applied	**337,187**	262,056
Net Increase in Cash and Investments	**$ 54,606**	$ 14,385

See Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

Note A–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 (see Note H-1).

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).

2. The accounts of the Port Authority Trans-Hudson Corporation (PATH), a subsidiary of the Port Authority, are consolidated in the accompanying financial statements and schedules. The assets and liabilities of the New York State Commuter Car Program are not included in the Port Authority's financial statements (see Note F-4 and Schedule F).

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 (see Note G). Facility capital costs prior to 1980 include net interest expense incurred from the date of issuance of the debt to finance construction until completion of the capital project. Consistent with Financial Accounting Standard No. 34, Capitalization of Interest, facility capital costs only include the interest expense incurred on such debt after 1979 relating to construction in progress. (See Note B-1.)

4. Prior to 1980, investments in securities, other than Port Authority bonds, were valued at the lower of their aggregate amortized cost or market value. Effective January 1, 1980, the Port Authority revised its method of valuing its investments in securities. Investments in long-term securities (those securities scheduled to mature more than a year after their purchase date), other than Port Authority bonds, are now valued at amortized cost. The change in accounting for investments in long-term securities which the Authority intends to maintain until maturity eliminates fluctuations in earnings attributable to changes in market value of long-term securities. This accounting change had a cumulative effect of increasing prior years' income by $9,503,000.

Port Authority bonds purchased by the Port Authority serve to reduce bonded debt and are not included in investments. Interest expense and interest earnings relating to such Port Authority bonds purchased are not included in interest on bonded debt and income on investments (see Note A-9).

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

5. 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.

6. Depreciation is computed on the straight-line method based on estimated useful lives of the related assets including those financed by government contributions (see Note G). In distributing net income to net assets, a charge representing depreciation on assets acquired with contributions is made against the related contributions accounts. The cost and accumulated depreciation related to assets removed from service are eliminated from the accounts (see Note A-9 and Note B-1).

7. All Bus Program expenditures are recorded as deferred charges and charged to operating expenses over the estimated useful life of the buses (see Note K-1).

8. The 1980 financial statements have been reclassified to conform to the classifications used for the Bus Program in 1981, and also to more accurately reflect the Port Authority's method of valuing its investments in short-term securities.

9. Schedules A, B and C have been prepared in accordance with generally accepted accounting principles, except that these schedules also take into account the requirements of law and Port Authority bond resolutions.

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 appropriations to Invested 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 Program 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 Bonded Debt until retirement. Interest expense and interest earnings relating to such Port Authority bonds purchased are included in interest on bonded debt and income on investments.

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.

Note B–Facilities:

1. Cost of facilities is composed of the following:

	December 31, 1981	December 31, 1980
	(In Thousands)	
Completed Construction:		
Air Terminals	$1,386,376	$1,338,237
World Trade Center	1,025,737	1,022,206
Tunnels & Bridges	599,569	588,323
Marine Terminals*	554,568	544,543
Rail Facilities	264,830	260,070
Bus Terminal	139,510	138,120
	3,970,590	3,891,499
Construction in Progress	188,026	169,756
	$4,158,616	$4,061,255

*Marine Terminals includes an amount for Truck Terminals; expenditures for Truck Terminals, the Oak Point Rail Freight Link and the Bathgate Industrial Development Project are included with Marine Terminals on Note L.

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

Interest expense added to costs of facilities was $5,309,000 and $10,898,000 for the years 1981 and 1980, respectively (see Note A-3).

2. Two new passenger terminals at Newark International Airport were opened in 1973. The superstructure of a third terminal was substantially completed in 1976 and is to be put into operation when additional terminal capacity is required. Modifications, which are expected to be completed in 1983, are to be made to this terminal, and will include construction to provide for a new Federal Inspection Service facility separated from the rest of the unfinished building and for a passenger walkway to the aircraft apron. The Port Authority's net investment in this terminal amounted to $45,830,000 at December 31, 1981, and depreciation expense charged to income amounted to $1,524,000 and $1,531,000 in 1981 and 1980, respectively.

Note C–Investments:

	December 31, 1981			December 31, 1980
	Principal Amount	Quoted Market	Book Value	Book Value
	(In Thousands)			
Short-Term				
United States Treasury Bills	$353,590	$337,772	$336,898	$283,655
Bankers' Acceptances	32,000	31,301	31,335	63,141
Certificates of Deposit	5,785	5,671	5,671	—
Security Valuation Allowance (Note A-4)	—	—	—	(1,135)
Total Short-Term	$391,375	$374,744	373,904	345,661
Long-Term (Note A-4)				
Farmers Home Administration (Department of Agriculture) Insured Notes	$ 57,000	$ 45,135	56,946	58,433
United States Treasury Bonds and Notes	236,000	227,269	234,733	245,690
Government National Mortgage Association (G.N.M.A.) Participation Certificates	2,000	1,450	2,000	2,000
Total Long-Term	$295,000	$273,854	293,679	306,123
Time Deposits with Banks	$ 35,824		35,824	7,282
United States Treasury obligations held under agreement to repurchase	$ 15,870		16,000	9,875
United States Treasury obligations delivered under reverse repurchase agreements	($ 28,000)			
United States Treasury obligations received under reverse repurchase agreements	$ 28,125			
Accrued Interest Receivable			14,369	13,432
Investments (not including Bonds of The Port Authority of New York and New Jersey)			733,776	682,373
Bonds of The Port Authority of New York and New Jersey	$ 40,481		40,481	55,092
Total Investments (Including Bonds of The Port Authority of New York and New Jersey)			$774,257	$737,465

Note D-Bonded Debt:

1. The following table shows the amount of Port Authority bonds outstanding in accordance with Port Authority bond resolutions as of December 31, 1981 and December 31, 1980.

		December 31, 1980	Issued	Retired	December 31, 1981
			(In Thousands)		
General and Refunding Bonds					
Ninth Series	1½% due 1985	$ 1,672	$ —	$ 409	$ 1,263
Tenth Series	1¾% due 1985	1,000	—	196	804
Eleventh Series	1¼% due 1986	3,133	—	611	2,522
		5,805	—	1,216	4,589
Consolidated Bonds					
First Series	3% due 1982	3,376	—	1,669	1,707
Second Series	2¾% due 1984	7,220	—	1,640	5,580
Fourth Series	2¾% due 1985	9,900	—	1,900	8,000
Fifth Series	2.90% due 1983	6,100	—	1,600	4,500
Sixth Series	3% due 1986	13,800	—	1,200	12,600
Seventh Series	3.40% due 1986	11,500	—	1,000	10,500
Eighth Series	3.40% due 1987	23,000	—	3,000	20,000
Tenth Series	3¾% due 1987	15,900	—	1,800	14,100
Twelfth Series	3⅜% due 1988	18,900	—	2,100	16,800
Fourteenth Series	3⅝% due 1989	25,135	—	3,135	22,000
Sixteenth Series	4¼% due 1989	11,425	—	1,425	10,000
Eighteenth Series	3½% due 1981	2,100	—	2,100	—
Nineteenth Series	3½% due 1991	15,250	—	750	14,500
Twentieth Series	3¼% due 1993	25,375	—	1,225	24,150
Twenty-first Series	3.40% due 1993	15,550	—	793	14,757
Twenty-second Series	3⅜% due 1993	18,125	—	875	17,250
Twenty-third Series	3⅜% due 1994	16,650	—	829	15,821
Twenty-fourth Series	3½% due 1994	19,000	—	875	18,125
Twenty-fifth Series	Various due 1981-1984	6,000	—	1,500	4,500
Twenty-sixth Series	3½% due 1995	28,525	—	1,050	27,475
Twenty-seventh Series	3⅜% due 1995	21,000	—	1,000	20,000
Twenty-eighth Series	3⅜% due 1996	22,750	—	750	22,000
Twenty-ninth Series	3½% due 1996	20,600	—	967	19,633
Thirtieth Series	3⅝% due 1998	17,750	—	481	17,269
Thirty-first Series	4% due 2002	93,000	—	2,000	91,000
Thirty-second Series	5% due 2003	94,500	—	6,850	87,650
Thirty-third Series	4¾% due 2003	94,500	—	6,915	87,585
Thirty-fourth Series	5½% due 2003	95,375	—	755	94,620
Thirty-fifth Series	6⅝% due 2005	99,500	—	1,410	98,090
Thirty-sixth Series	6.40% due 2005	49,750	—	980	48,770
Thirty-seventh Series	6% due 2006	100,000	—	1,450	98,550
Thirty-eighth Series	5⅜% due 2006	100,000	—	2,000	98,000
Thirty-ninth Series	5.80% due 2007	148,950	—	1,320	147,630
Fortieth Series	6% due 2008	100,000	—	—	100,000
Forty-first Series	5½% due 2008	99,500	—	—	99,500
Forty-second Series	8.20% due 2011	100,000	—	—	100,000
Forty-third Series	7% due 2011	50,000	—	—	50,000
Series Forty-four	7½% due 2011 (See Note on Schedule D)	—	—	—	—
Forty-fifth Series	6½% due 2012	75,000	—	—	75,000
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
Consolidated Notes					
Series DD	9¼% due December 31, 1981	—	5,000	5,000	—
Series EE	9¼% due December 1, 1984	—	100,000	—	100,000
		1,925,006	105,000	62,344	1,967,662
Total Bonded Debt in accordance with Port Authority bond resolutions		$1,930,811	$105,000	$ 63,560	$1,972,251

2. Total Bonded Debt in accordance with Port Authority bond resolutions / Less: Amortized cost of Port Authority bonds purchased by the Port Authority

	December 31, 1980	December 31, 1981
Total Bonded Debt in accordance with Port Authority bond resolutions	$1,930,811	$1,972,251
Less: Amortized cost of Port Authority bonds purchased by the Port Authority	55,092	40,481
	$1,875,719	$1,931,770

Note E–Financing:

The Port Authority finances construction of its facilities primarily by issuing bonded debt and through bank loans. Details of bonded debt and amortization are described in Note D and Schedule D.

1. The scheduled repayment of the Port Authority's loans obtained from banks and trust companies is as follows:

Bank Loans	Amount of Bank Loans Outstanding at December 31, 1981	1980
Payable $12,500,000 in 1981 at a rate per annum equal to the lesser of (i) 70% of prime interest rate as defined in the loan agreement or (ii) 7¾%	$ —0—	$12,500,000
Payable $12,500,000 annually 1982-1983 at 5¾%	25,000,000	37,500,000
Payable $18,750,000 annually 1982-1983 at a rate per annum equal to the lesser of (i) 70% of prime interest rate as defined in the loan agreement or (ii) 7¾%	37,500,000	43,750,000
	$62,500,000	$93,750,000

The loans may be prepaid in whole or in part on interest payment dates. Under the terms of the loan agreements, and as a result of the establishment and maintenance in trust of the Special Reserve Fund, Air Terminal Reserve Fund and Marine Terminal Reserve Fund (see Note F-2), annual installment payments on the bank loans are being made exclusively from net revenues available therefor in the Consolidated Bond Reserve Fund. Payment of the loans and interest thereon is subject in all respects to the payment of debt service on General and Refunding Bonds and Consolidated Bonds, as required by the applicable provisions of the Port Authority's bond resolutions, and to the payment into the General Reserve Fund of the amount necessary so as to maintain such Fund at the amount specified in the General Reserve Fund statutes. Neither the loans nor the interest thereon are secured by or payable from the General Reserve Fund.

2. The establishment of Consolidated Bonds, Series Forty-two R, due July 15, 2011, at a maximum interest rate not in excess of 6.50 percent, was authorized on February 14, 1980, for the purpose of refunding, on July 15, 1986, $100,000,000 in principal amount of Consolidated Bonds, Forty-second Series, First Installment, 8.20 percent, due July 15, 2011. The authorization provided for the issuance of a First Installment of $100,000,000 of such Series. There are no present plans to refund any other obligations of the Port Authority although there had been substantial consideration of this possibility in the past.

3. The establishment of Consolidated Bonds, Forty-ninth Series, Fiftieth Series and Fifty-first Series, due January 15, 2016, July 15, 2016, and January 15, 2017, respectively, bearing interest at a rate for each such Series not in excess of 16 percent per annum was authorized, for purposes of capital expenditures in connection with the Port Authority's facilities, on October 29, 1980, as amended October 28, 1981. The authorization provided for the issuance of a First Installment of up to $100,000,000 of each such Series, provided that the total aggregate principal amount of all such Series would not exceed $200,000,000.

4. On August 5, 1981, the Port Authority issued $5,000,000 Consolidated Notes, Series DD, 9¼ percent, which were due and retired on December 31, 1981.

5. On December 2, 1981, the Port Authority issued $100,000,000 Consolidated Notes, Series EE, 9¼ percent, due December 1, 1984.

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 the outstanding bonded debt, in accordance with Port Authority bond resolutions, which is secured by a pledge of the Fund. At December 31, 1981, the General Reserve Fund balance was $210,597,000 and continued to meet 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' mandatory debt service on such outstanding bonded debt. Consolidated Bonds, Forty-fourth Series, Consolidated Bonds, Series Forty-four-A and Consolidated Bonds, Series Forty-four-B are included in determining these amounts (see Note on Schedule D). The bank loans described in Note E-1 are not so included.

At December 31, 1981, the Port Authority met the requirements of its bond resolutions to maintain total reserve funds in cash and specified marketable securities. Such amount included $4,788,000 held in trust for repayment of principal and interest on General and Refunding Bonds (see Note F-3).

2. In accordance with the provisions of the bank loan agreements (see Note E-1), the Port Authority, on December 31, 1970, placed into trust amounts available from the

Port Authority's Special Reserve Fund, Air Terminal Reserve Fund and Marine Terminal Reserve Fund so that such Funds would be maintained in amounts sufficient to secure fully, unconditionally and absolutely the Port Authority's obligation to provide for the redemption as scheduled and the payment of interest until redemption on the outstanding General and Refunding, Air Terminal and Marine Terminal Bonds. As of December 31, 1980, the Port Authority had fully satisfied all debt service requirements on Air Terminal and Marine Terminal Bonds and the Air Terminal and Marine Terminal Reserve Funds in Trust no longer exist.

Under the terms of the Agreement of Trust, the remaining General and Refunding Bonds are not required to be paid or redeemed in advance of their scheduled redemption by operation of the sinking fund thereof.

With the establishment and maintenance of these Trust Funds, and with the satisfaction of all outstanding Air Terminal and Marine Terminal Bonds in 1980, net revenues of the Port Authority's existing facilities are applicable to debt service on Consolidated Bonds and Notes and all remaining balances, except such amounts as may be necessary to maintain the General Reserve Fund in the prescribed amount, are payable into the Consolidated Bond Reserve Fund.

3. The balance of all net revenues upon which Consolidated Bonds have a first lien, 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 all existing facilities of the Port Authority (not including cars acquired under New York State's Commuter Car Program) and any additional facility financed by Consolidated Bonds. The prior liens and pledges with respect to certain net revenues in favor of General and Refunding Bonds of the Port Authority have been satisfied by the establishment and maintenance of the Special Reserve Fund in Trust as discussed in Note F-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. 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 (see Note A-2 and 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 received from the Airport Development Aid Program was $11,420,000 in 1981 and $11,203,000 in 1980. Funding of the Airport Development Aid Program terminated on September 30, 1981, and has not yet been renewed by the Congress of the United States.

Charges representing depreciation on assets relating to these contributions were $8,689,000 in 1981 and $8,546,000 in 1980 (see Note A-6).

	December 31, 1981	December 31, 1980
Contributions	$212,089,000	$200,669,000
Less: Accumulated Charges (depreciation on assets acquired with contributions)	61,807,000	53,118,000
	$150,282,000	$147,551,000

Note H–Operating Revenues and Lease Commitments:

1. Gross operating revenues of the Port Authority, obtained primarily from fares, fees, tolls, and other user charges, and from certain operating leases and other agreements, amounted to $699,113,000 in 1981 and $647,647,000 in 1980. Gross operating revenues attributable to minimum rentals associated with operating leases amounted to approximately $206,000,000 in 1981 and approximately $185,000,000 in 1980. 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.

2. The Port Authority has entered into supplemental agreements with airlines operating at Newark International Airport to defer collection of a portion of the flight fees and certain other charges billable to the airlines for a specified length of time. As of December 31, 1981, collection of $36,179,000 has been deferred under these agreements. Because of uncertainties as to when payments will be made by the airlines, these fees will be recorded in the financial statements when collected.

3. 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 airports, marine terminals, bus and truck terminals and the World Trade Center.

Minimum future rentals scheduled to be received on operating leases in effect on December 31, 1981 are:

Year Ending December 31:	
1982	$ 181,683,000
1983	173,343,000
1984	166,213,000
1985	154,523,000
1986	147,956,000
Later Years	1,464,912,000
Total Minimum Future Rentals	$2,288,630,000

Investments in airports, World Trade Center, marine terminals and the bus terminal as of December 31 include property associated with minimum rentals derived from operating leases (see Note B-1). 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.

4. Property Leased from Others

Rental expenses under leases, including payments to the cities of New York, Newark and Hoboken for various air and marine terminals, aggregated $36,700,000 in 1981 and $33,900,000 in 1980. The lease terms expire at various times from 2002 to 2018 and may be renewed for additional periods. Minimum future rentals scheduled to be paid on operating leases in effect on December 31, 1981 are detailed below and additional rentals may be payable based on earnings of specified facilities under some of these leases.

Year Ending December 31:	
1982	$ 6,181,000
1983	6,063,000
1984	5,939,000
1985	6,855,000
1986	6,766,000
Later Years	148,480,000
Total Minimum Future Rentals	$180,284,000

Note I–World Trade Center:

1. Gross operating revenues include rental income of $24,100,000 in 1981 and $24,200,000 in 1980 from New York State for office space which the State occupies in a substantial portion of one of the tower buildings of the Port Authority's World Trade Center facility pursuant to a lease agreement renewable for successive five-year terms totaling 100 years. In 1975 the State did not formally exercise its option to renew the lease for the next successive rental period and, at December 31, 1981, had vacated over 206,000 square feet of office space. The future use, by the State or others, of the remaining space presently occupied by the State is under consideration.

2. The Port Authority continues to receive inquiries with respect to the sale of the World Trade Center. The Port Authority has cooperated with each of the parties who have expressed serious interest and demonstrated adequate resources, and has provided information on the World Trade Center to such potential purchasers. Independent consultants retained by the Port Authority have completed a financial analysis of the feasibility of such a sale, along with other materials for use in the event that the Board of Commissioners decides to solicit purchase proposals. Although no decision to sell has been made, the Board of Commissioners remains open to such consideration.

Note J–Pension and Retirement Plans:

Employees of the Port Authority are covered by one of two public employees' retirement systems: the New York State Employees' Retirement System or the New York State Policemen's and Firemen's Retirement System. PATH employees are covered by the provisions of the Railroad Retirement Act and certain PATH employees are also covered by supplemental plans administered by PATH. The Port Authority's contributions to the public employees' retirement systems are based primarily on billings from these systems (and PATH's contributions are based on federal regulations pursuant to the Railroad Retirement Act). For the years 1981 and 1980, the Port Authority and PATH provided a total of approximately $44,100,000 and $41,500,000, respectively, as employer contributions to these pension and retirement plans.

The two public employees' retirement systems covering Port Authority employees do not require contributions from police personnel or from those non-police employees who joined the system prior to July 1, 1976. Non-police personnel who became members of the system on July 1, 1976 and thereafter are presently required by statute to contribute three percent of their annual wages, with the Port Authority contributing the balance required by the system for these employees. Contributions to these public employees' retirement systems for 1981 and 1980 by the Port Authority and Port Authority employees represented approximately three percent of the total contributions to the systems in each of these years. No information is available from these retirement systems as to the amount of any excess of the actuarially computed value of vested benefits over the systems' assets specifically related to employees of the Port Authority. However, if these public employees' retirement systems were to have terminated as of March 31, 1981, the latest date for which information is available, the actuarial present value of accumulated plan benefits for all of the employees covered by such systems (including the small percentage that are Port Authority employees) would exceed the net assets available for benefits of such systems by approximately eight percent.

Note K–Commitments and Certain Charges to Operations:

1. At December 31, 1981, approximately $59,520,000 of construction was expected to be completed within the next three years pursuant to various contracts entered into by the Port Authority.

In connection with the revisions to the Port Authority bridge and tunnel toll schedules which were effective May 5, 1975, the Port Authority allocated $160,000,000 to the extension, improvement and modernization of the Port Authority Bus Terminal. The Port Authority was also authorized, pursuant to legislation effective March 1, 1979, as amended effective January 7, 1982, to allocate, subject to appropriate certifications which were made in 1979 by the Authority, up to $240,000,000 for mass transportation projects consisting of buses and other bus related facilities, with up to $120,000,000 to be allocated in each of the States of New York and New Jersey. The 1982 amendment also permits, subject to additional appropriate certifications by the Authority as to the financial viability of the expenditure, the allocation of up to an additional $200,000,000 for buses and ancillary bus facilities, with up to $100,000,000 to be allocated in each State.

The Port Authority is not permitted to incur operating or maintenance expenses in connection with its program to provide buses and bus related facilities and the Port Authority does not expect to derive any revenue from this investment.

Capital expenditures during the year 1982 are anticipated to be approximately $160,000,000 including a portion of the allocations related to the contracts and programs noted above as well as the other ongoing capital construction programs of the Port Authority.

2. 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 the issuance of bonds by the Port Authority. These include, but are not limited to, additional improvements to the Port Authority Bus Terminal, redevelopment of the central terminal area roadway system at John F. Kennedy International Airport, the Oak Point Rail Freight Link, industrial development projects and facilities and the development of the former Central Railroad of New Jersey property at the Elizabeth-Port Authority 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 in both States, the feasibility and economic viability of establishing, in the Port District, a coal handling and storage facility; a crude oil handling facility; a center for commercial fishing; mixed use waterfront development projects; a satellite communications center for information processing, communications and data processing; and projects to assist in the repair, renovation or rehabilitation of bridge, tunnel and other transportation facilities in the region. In order for the Port Authority to undertake some of the projects noted above, appropriate legislative authorization would be required and, except for the program to assist in the repair, renovation or rehabilitation of the region's bridge, tunnel and other transportation facilities, 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.

3. Other expenses of $25,094,000 in 1981 and $23,524,000 in 1980 include amounts for insurance, telephone, and certain other operating, development and administrative expenses.

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

1. Operating Results

Gross operating revenues by operating segment exclude interdepartmental revenues primarily relating to the World Trade Center of $20,040,000 in 1981, and $15,141,000 in 1980. In the table below, gross operating income (loss) consists of gross operating revenues less operating and maintenance expenses and depreciation. General administrative and development expenses, financial income, interest on debt and interdepartmental revenues and expenses are not considered in calculating gross operating income (loss). Allocated general administrative and development expenses for the Ground and Mass Transportation group are $34,523,000 in 1981 and $28,394,000 in 1980, and for the Port Commerce and Economic Development group are $34,255,000 in 1981 and $28,228,000 in 1980.

	Ground and Mass Transportation				Port Commerce and Economic Development				Combined	
	Tunnels & Bridges	Bus Terminal and Bus Program	Rail	Total	Air Terminals	Marine Terminals*	World Trade Center	Total	1981	1980
					(In Thousands)					
1981										
Gross Operating Revenues	$148,026	$ 17,902	$ 16,449	$182,377	$333,656	$ 52,400	$130,680	$ 516,736	$699,113	
Gross Operating Income (Loss)	75,584	(10,226)	(49,000)	16,358	90,827	13,098	48,884	152,809	$169,167	
1980										
Gross Operating Revenues	142,825	17,309	12,397	172,531	313,927	51,151	110,038	475,116		$ 647,647
Gross Operating Income (Loss)	76,988	(2,606)	(37,452)	36,930	87,194	10,771	31,202	129,167		$ 166,097
General Administrative and Development Expenses									(68,778)	(56,622)
Income from Operations									100,389	109,475
Financial Income									102,489	86,516
Interest Expense									(103,630)	(101,371)
Cumulative Effect on Prior Years of Changing to a Different Security Valuation Method (Note A-4)									—	9,503
Net Income									$ 99,248	$ 104,123

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.

	Ground and Mass Transportation				Port Commerce and Economic Development				
	Tunnels & Bridges	Bus Terminal and Bus Program	Rail	Total	Air Terminals	Marine Terminals*	World Trade Center	Total	Total Assets
					(In Thousands)				
1981 Assets									
Facilities, net-beginning of year	$430,193	$154,295	$217,812	$802,300	$760,311	$364,770	$914,121	$2,039,202	$2,841,502
Net capital expenditures	10,583	16,471	5,696	32,750	39,053	13,872	18,767	71,692	104,442
Depreciation	(9,202)	(2,691)	(7,617)	(19,510)	(52,261)	(15,207)	(20,320)	(87,788)	(107,298)
Facilities, net-end of year	$431,574	168,075	$215,891	815,540	$747,103	$363,435	$912,568	2,023,106	2,838,646
Unamortized Costs—Bus Program		137,756		137,756				—	137,756
Total		$305,831		$953,296				$2,023,106	2,976,402
Cash, investments and other assets									854,757
Total Assets									$3,831,159
1980 Assets									
Facilities, net-beginning of year	$428,929	$131,459	$216,888	$777,276	$751,949	$367,570	$901,409	$2,020,928	$2,798,204
Net capital expenditures	10,149	24,048	6,620	40,817	59,220	12,214	31,891	103,325	144,142
Depreciation	(8,885)	(1,212)	(5,696)	(15,793)	(50,858)	(15,014)	(19,179)	(85,051)	(100,844)
Facilities, net-end of year	$430,193	154,295	$217,812	802,300	$760,311	$364,770	$914,121	2,039,202	2,841,502
Unamortized Costs—Bus Program		18,707		18,707				—	18,707
Total		$173,002		$821,007				$2,039,202	2,860,209
Cash, investments and other assets									789,957
Total Assets									$3,650,166

*See Note B-1

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

	Year Ended December 31,			
	1981			1980
	Operating Fund	Reserve Funds (Schedule C)	**Combined Total**	Combined Total
	(In Thousands)			
Gross Operating Revenues	$699,113	$ —	**$699,113**	$647,647
Operating Expenses:				
Employee compensation, including benefits	255,097	—	**255,097**	223,450
Materials, equipment, supplies and contract services	101,690	—	**101,690**	92,665
Heat, light and power	61,291	—	**61,291**	57,580
Rents (primarily related to airport leases) and amounts in-lieu-of-taxes	44,586	—	**44,586**	39,980
Other (Note K-3)	25,094	—	**25,094**	23,524
Total Operating Expenses	487,758	—	**487,758**	437,199
Net Operating Revenues	211,355	—	**211,355**	210,448
Financial Income				
Income on investments (includes gain of $13,116,000 in 1981 and $12,323,000 in 1980 on purchase of Port Authority bonds (Note A-4))	38,949	64,855	**103,804**	89,998
Security valuation adjustment (Note A-4)	435	700	**1,135**	(944)
Net Revenues Available for Debt Service and Reserves	250,739	65,555	**316,294**	299,502
Debt Service				
Interest on bonded debt	99,542	82	**99,624**	98,160
Serial maturities and sinking fund retirements	42,344	1,216	**43,560**	40,159
Debt retirement acceleration	—	20,000	**20,000**	10,000
Interest on bank loans	—	6,456	**6,456**	5,749
Repayment of bank loans	—	31,250	**31,250**	31,250
Total Debt Service	141,886	59,004	**200,890**	185,318
Transfers to Reserves	($108,853)	108,853	—	—
Revenues After Debt Service and Transfers to Reserves		115,404	**115,404**	114,184
Direct Investment in Facilities		(75,000)	**(75,000)**	(20,000)
Appropriations for Self-Insurance		607	**607**	(1,896)
Increase in Reserves Before Cumulative Effect of Change in Accounting Principle		41,011	**41,011**	92,288
Cumulative Effect on Prior Years of Changing to a Different Security Valuation Method (Note A-4)		—	—	9,503
Increase in Reserves		41,011	**41,011**	101,791
Reserve Balances—Beginning of Year		504,523	**504,523**	402,732
Reserve Balances—End of Year (Schedule C)		$545,534	**$545,534**	$504,523

See Notes to Consolidated Financial Statements.

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

	December 31, 1981				December 31, 1980
	Operating Fund	Capital Fund	Reserve Funds	**Combined Total**	Combined Total
			(In Thousands)		
Assets					
Invested in Facilities	$ —	$4,375,490	$ —	**$4,375,490**	$4,148,331
Investments (Note C)	147,305	86,512	540,440	**774,257**	737,465
Cash	7,939	5,826	5,094	**18,859**	15,656
Other Assets	97,341	4,781	—	**102,122**	91,928
Total Assets	252,585	4,472,609	545,534	**5,270,728**	4,993,380
Liabilities					
Bonded Debt (Note D)	—	1,972,251	—	**1,972,251**	1,930,811
Bank Loans Payable (Note E-1)	—	62,500	—	**62,500**	93,750
Accounts Payable and Other Liabilities	215,008	72,052	—	**287,060**	242,567
Deferred Income	5,654	—	—	**5,654**	4,623
Total Liabilities	220,662	2,106,803	—	**2,327,465**	2,271,751
Net Assets	$ 31,923	$2,365,806	$ 545,534	**$2,943,263**	$2,721,629
Net Assets are Composed of:					
Debt Retired Through Income	$ —	$1,945,886	$ —	**$1,945,886**	$1,851,076
Reserves (Schedule C)	—	—	545,534	**545,534**	504,523
Government Contributions in Aid of Construction (Note G)	—	212,089	—	**212,089**	200,669
Appropriated Reserves Invested in Facilities	—	207,831	—	**207,831**	132,831
Appropriated Reserves for Self-Insurance	31,923	—	—	**31,923**	32,530
Net Assets	$ 31,923	$2,365,806	$ 545,534	**$2,943,263**	$2,721,629

See Notes to Consolidated Financial Statements.

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

	Year Ended December 31,				
	1981				1980
	General Reserve Fund	Consolidated Bond Reserve Fund	Special Reserve Fund in Trust for General & Refunding Bonds (In Thousands)	**Combined Total**	Combined Total
Balance, January 1 (Note F)	$210,597	$287,823	$6,103	**$504,523**	$402,732
Income on investments (includes gain on purchase of Port Authority bonds)	29,039	34,998	818	**64,855**	52,411
Security valuation adjustment	281	412	7	**700**	(732)
Reserve fund transfers	(29,320)	30,162	(842)	**—**	—
Transfers from operating fund	—	108,853	—	**108,853**	111,691
	210,597	462,248	6,086	**678,931**	566,102
Applications:					
Interest on bonded debt	—	—	82	**82**	120
Serial maturities and sinking fund retirements	—	—	1,216	**1,216**	2,067
Debt retirement acceleration	—	20,000	—	**20,000**	10,000
Interest on bank loans	—	6,456	—	**6,456**	5,749
Repayment of bank loans	—	31,250	—	**31,250**	31,250
Invested in facilities	—	75,000	—	**75,000**	20,000
Self-insurance	—	(607)	—	**(607)**	1,896
Total Applications	—	132,099	1,298	**133,397**	71,082
Total reserves at December 31, before cumulative effect of change in accounting principle	210,597	330,149	4,788	**545,534**	495,020
Cumulative effect on prior years of changing to a different security valuation method (Note A-4)	—	—	—	**—**	9,503
Balance, December 31 (Note F)	$210,597	$330,149	$4,788	**$545,534**	$504,523

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, 1981 been used, the respective Reserve Fund balances at December 31, 1981 would be:

General Reserve Fund	Consolidated Bond Reserve Fund	General & Refunding Bonds
$210,597	$311,364	$4,788

See Notes to Consolidated Financial Statements.

Schedule D **Bonded Debt Amortization 1982-2014** December 31, 1981 (In Thousands)

	Debt Service Total All Issues Par Value $1,972,251			Amortization	
Year	Total	Interest	Amortization	Consolidated Bonds	General and Refunding Bonds
1982	$ 143,217	$ 111,548	$ 31,699	$ 30,387	$1,282
1983	144,354	110,500	33,854	32,554	1,300
1984	250,337	108,463	141,874	140,557	1,317
1985	148,201	98,357	49,844	49,202	642
1986	151,787	96,281	55,506	55,506	—
1987	148,607	93,975	54,632	54,632	—
1988	143,815	91,708	52,107	52,107	—
1989	142,664	89,345	53,319	53,319	—
1990	142,693	86,894	55,799	55,799	—
1991	143,342	84,189	59,153	59,153	—
1992	143,991	81,243	62,748	62,748	—
1993	145,500	78,006	67,494	67,494	—
1994	142,250	74,533	67,717	67,717	—
1995	140,083	70,892	69,191	69,191	—
1996	137,676	67,016	70,660	70,660	—
1997	135,548	63,048	72,500	72,500	—
1998	136,271	58,771	77,500	77,500	—
1999	134,742	54,242	80,500	80,500	—
2000	133,216	49,466	83,750	83,750	—
2001	131,222	44,472	86,750	86,750	—
2002	131,137	39,137	92,000	92,000	—
2003	123,643	33,643	90,000	90,000	—
2004	105,260	28,510	76,750	76,750	—
2005	101,191	23,691	77,500	77,500	—
2006	85,856	18,856	67,000	67,000	—
2007	69,287	14,787	54,500	54,500	—
2008	56,376	11,626	44,750	44,750	—
2009	41,507	9,007	32,500	32,500	—
2010	40,010	6,760	33,250	33,250	—
2011	37,725	4,475	33,250	33,250	—
2012	25,074	2,324	22,750	22,750	—
2013	18,514	1,014	17,500	17,500	—
2014	5,338	88	5,250	5,250	—
Total	$3,780,434	$1,806,867	$1,973,567	$1,969,026	$4,541

NOTE: Includes 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 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 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. Interest shown under "Debt Service Total All Issues" is computed on the assumption that amortization payments will be made each year on the latest permissible date. The amortization amount shown above for the year 1984 includes $100,000,000 for Consolidated Notes, Series EE, dated December 1, 1981, which mature December 1, 1984. The above table does not include payments on the bank loans (See Note E-1 to Consolidated Financial Statements). Not included are $50,000,000 Consolidated Bonds, Forty-fourth Series, dated December 20, 1976, due December 20, 2011, $25,000,000 Consolidated Bonds, Series Forty-four A, dated December 20, 1977, due December 20, 2011, and $50,000,000 Consolidated Bonds, Series Forty-four B, dated December 20, 1977, due December 20, 2011, each of which was issued by the Port Authority solely as additional security for the respective payment of the Port Authority's $50,000,000 bank loan of January 1977, $25,000,000 bank loan of November, 1977, and $50,000,000 additional bank loan of November, 1977, and are held in trust for these purposes (without payment of the interest on such bonds while held in trust). Amortization and interest applicable to General and Refunding Bonds are secured by a trust as outlined in Note F-2 to Consolidated Financial Statements.

See Notes to Consolidated Financial Statements.

Schedule E **Selected Financial Data**

	1981	1980	1979	1978	1977
			(In Thousands)		
REVENUES AND EXPENSES					
Gross Operating Revenues	**$ 699,113**	$ 647,647	$ 588,064	$ 543,810	$ 524,325
Operating Expenses	**487,758**	437,199	391,517	367,794	327,047
Net Operating Revenues	**211,355**	210,448	196,547	176,016	197,278
Income on Investments	**90,688**	77,675	44,957	30,150	24,695
Gain on Purchase of Port Authority Bonds	**13,116**	12,323	10,067	9,321	3,670
Security Valuation Adjustment	**1,135**	(944)	(3,664)	(9,981)	(127)
Net Revenues Available for Debt Service and Reserves	**316,294**	299,502	247,907	205,506	225,516
DEBT SERVICE-OPERATIONS					
Interest on Bonded Debt	**(99,542)**	(98,040)	(87,296)	(85,456)	(83,354)
Times, Interest Earned	**3.18**	3.05	2.84	2.40	2.71
Serial Maturities and Sinking Fund Retirements	**(42,344)**	(38,092)	(36,944)	(21,023)	(30,173)
Times, Debt Service Earned	**2.23**	2.20	2.00	1.93	1.99
DEBT SERVICE-RESERVES					
Debt Service on Bonds Secured by Trusts	**(1,298)**	(2,187)	(4,159)	(6,354)	(5,088)
Interest on Bank Loans	**(6,456)**	(5,749)	(6,370)	(7,562)	(8,329)
Bank Loan Payments	**(31,250)**	(31,250)	(40,000)	(40,000)	(60,000)
Debt Retirement Acceleration	**(20,000)**	(10,000)	(7,500)	—	—
Direct Investment in Facilities-Reserves	**(75,000)**	(20,000)	(25,000)	—	(5,000)
Appropriation for Self-Insurance-Reserves	**607**	(1,896)	(3,444)	(3,955)	(4,636)
Net Increase in Reserves Before Cumulative Effect of Change in Accounting Principle	**41,011**	92,288	37,194	41,156	28,936
Cumulative Effect on Prior Years of Changing to a Different Security Valuation Method (Note A-4)	—	9,503	—	—	—
Net Increase in Reserves*	**41,011**	101,791	37,194	41,156	28,936
RESERVE BALANCES					
Beginning of Year	**504,523**	402,732	365,538	324,382	295,446
End of Year	**$ 545,534**	$ 504,523	$ 402,732	$ 365,538	$ 324,382
Represented By:					
General Reserve	**$ 210,597**	$ 210,597	$ 210,597	$ 208,023	$ 194,692
Special Reserve (A)	**4,788**	6,103	7,466	8,829	10,192
Air Terminal Reserve (A)	—	—	682	3,283	7,766
Marine Terminal Reserve (A)	—	—	157	310	795
Consolidated Bond Reserve	**330,149**	287,823	183,830	145,093	110,937
Total	**$ 545,534**	$ 504,523	$ 402,732	$ 365,538	$ 324,382
DEBT–AT YEAR-END					
General and Refunding Bonds	**$ 4,589**	$ 5,805	$ 7,051	$ 8,279	$ 9,490
Air Terminal Bonds	—	—	667	3,192	7,514
Marine Terminal Bonds	—	—	154	300	767
Consolidated Bonds and Notes	**1,967,662**	1,925,006	1,973,098	1,943,460	1,804,152
Total Bonded Debt	**1,972,251**	1,930,811	1,980,970	1,955,231	1,821,923
Bank Loans	**62,500**	93,750	125,000	165,000	205,000
Total	**$2,034,751**	$2,024,561	$2,105,970	$2,120,231	$2,026,923
INVESTED IN FACILITIES–AT YEAR-END	**$4,375,490**	$4,148,331	$3,985,354	$3,882,953	$3,792,776
DEBT RETIRED THROUGH INCOME					
Annual	**$ 94,810**	$ 81,409	$ 88,343	$ 67,023	$ 94,754
Cumulative	**$1,945,886**	$1,851,076	$1,769,667	$1,681,324	$1,614,301

(A) Reserve Funds maintained in Trust since December 31, 1970. See Note F-2 to Consolidated Financial Statements.

*Net Increase in Reserves with the 1980 change in accounting principle retroactively applied on a pro forma basis would be as follows:

1979	1978	1977
$36,881	$50,964	$29,044

NOTE: This selected financial data is prepared from information contained on 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.

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, 1981			December 31, 1980
	Related to Cars			
	Leased to Metropolitan Transportation Authority	Leased to Consolidated Rail Corporation (Conrail)	**Combined Total**	Combined Total
	(in Thousands)			
Assets				
Invested in Commuter Cars, at Cost	$ 63,000	$ 37,491	**$ 100,491**	$ 100,491
Cash and Investment in U.S. Government Securities, at Cost (which approximates market)	—	4,177	**4,177**	3,818
Other Assets	—	249	**249**	556
Total Assets	63,000	41,917	**104,917**	104,865
Liabilities				
State Guaranteed Commuter Car Bonds	44,620	21,420	**66,040**	69,320
Other Liabilities	—	4,167	**4,167**	4,115
Total Liabilities	44,620	25,587	**70,207**	73,435
Debt Retired	$ 18,380	$ 16,330	**$ 34,710**	$ 31,430

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. 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 PORT AUTHORITY OF NY & NJ

Facility Traffic

Tunnels and Bridges

(Eastbound Traffic in Thousands)	1981	1980
All Crossings		
Automobiles	**80,699**	77,372
Buses	**1,635**	1,702
Trucks	**8,925**	8,884
Total Vehicles	**91,259**	87,958
George Washington Bridge		
Automobiles	**38,463**	37,312
Buses	**246**	253
Trucks	**3,747**	3,831
Total Vehicles	**42,456**	41,396
Lincoln Tunnel		
Automobiles	**15,050**	14,470
Buses	**1,222**	1,259
Trucks	**1,883**	1,862
Total Vehicles	**18,155**	17,591
Holland Tunnel		
Automobiles	**10,167**	9,359
Buses	**48**	87
Trucks	**1,667**	1,618
Total Vehicles	**11,882**	11,064
Staten Island Bridges		
Automobiles	**17,019**	16,231
Buses	**119**	103
Trucks	**1,628**	1,573
Total Vehicles	**18,766**	17,907
Cumulative PA Investment in Tunnels and Bridges (In Thousands)	**$646,400**	$635,800

Air Terminals

	1981	1980
Totals at the Three Major Airports		
Plane Movements	**793,500**	821,900
Passenger Traffic	**54,081,000**	53,487,000
Cargo—Tons	**1,346,800**	1,312,000
Revenue Mail—Tons	**221,700**	228,300
Kennedy International Airport		
Plane Movements	**286,000**	307,500
Passenger Traffic		
Total	**25,753,000**	26,796,000
Domestic	**12,422,000**	13,767,000
Overseas	**13,331,000**	13,029,000
Cargo—Tons	**1,191,500**	1,169,800
LaGuardia Airport		
Plane Movements	**308,200**	317,600
Passenger Traffic	**18,146,000**	17,468,000
Cargo—Tons	**36,800**	35,300
Newark International Airport		
Plane Movements	**199,300**	196,800
Passenger Traffic	**10,182,000**	9,223,000
Cargo—Tons	**118,500**	107,200
Cumulative PA Investment In Air Terminals (In Thousands)	**$ 1,473,900**	**$1,434,800**

Terminals

	1981	1980
All Bus Facilities		
Passengers	**72,100,000**	74,200,000
Bus Movements	**3,084,000**	3,183,000
Port Authority Bus Terminal		
Passengers	**55,000,000**	56,500,000
Bus Movements	**1,901,000**	1,950,000
George Washington Bridge Bus Station		
Passengers	**7,800,000**	8,000,000
Bus Movements	**318,000**	327,000
PATH Journal Square Transportation Center Bus Station		
Passengers	**9,300,000**	9,700,000
Bus Movements	**865,000**	906,000
Cumulative PA Investment In Bus Facilities (In Thousands)	**$203,500**	$186,800

Marine Terminals

	1981	1980
All Terminals		
Ship Arrivals	**3,053**	3,234
General Cargo (Long Tons)	**13,056,029**	12,181,897
New Jersey Marine Terminals		
Ship Arrivals	**2,188**	2,326
General Cargo (Long Tons)	**12,264,762**	10,920,815
New York Marine Terminals		
Ship Arrivals	**865**	908
General Cargo (Long Tons)	**791,267**	1,261,082
Cumulative PA Investment in Marine Terminals (In Thousands)	**$571,600**	$559,800

PATH

	1981	1980
Total Passengers	**47,923,000**	35,865,000
Passenger Weekday Average	**169,800**	163,600
Cumulative PA Investment in PATH (In Thousands)	**$284,800**	$279,000

	1981	1980
Total Port Authority Cumulative Invested in Facilities, Including the Above (In Thousands)	**$4,375,500**	$4,148,300

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