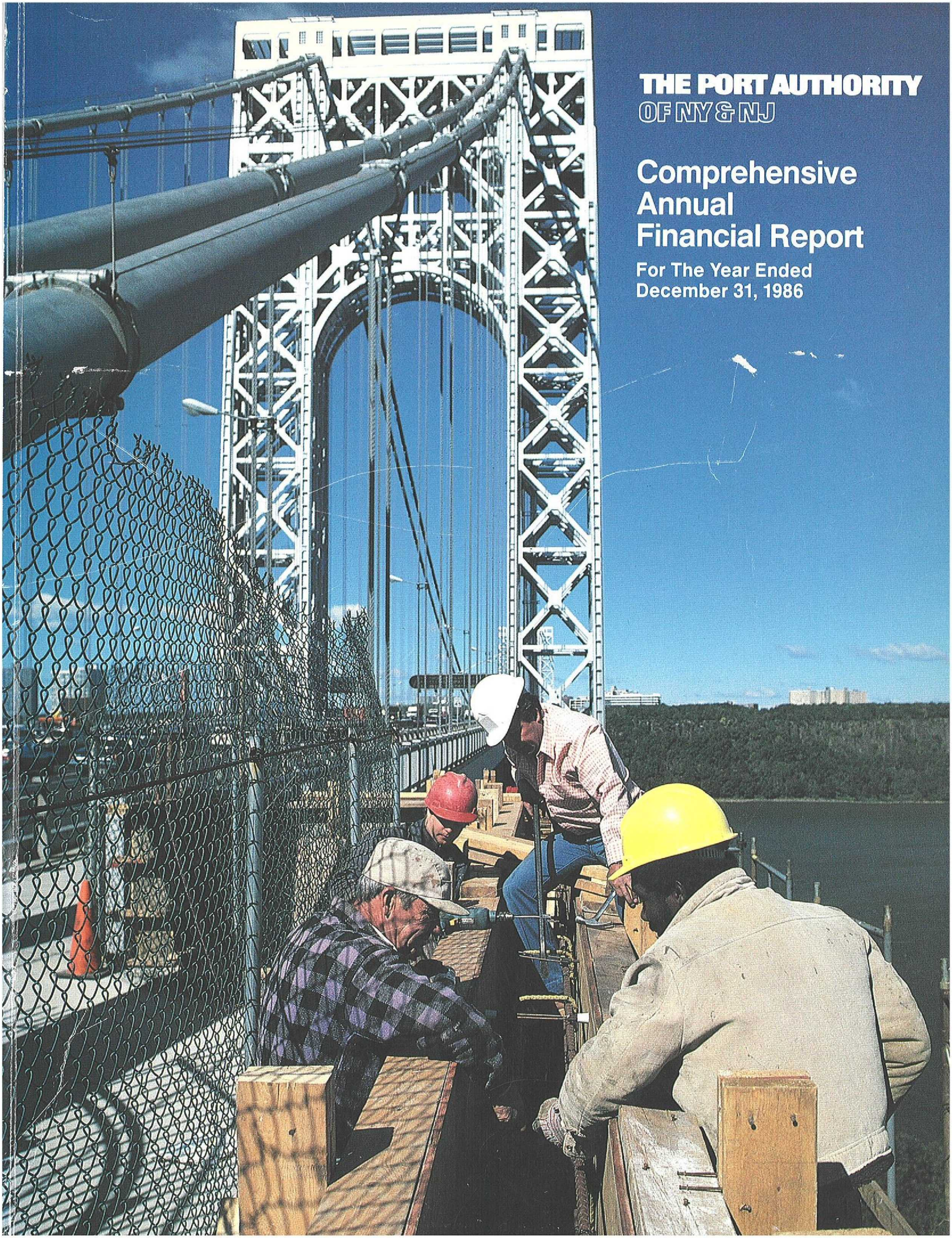

THE PORT AUTHORITY OF NY & NJ

Comprehensive Annual Financial Report

For The Year Ended December 31, 1986

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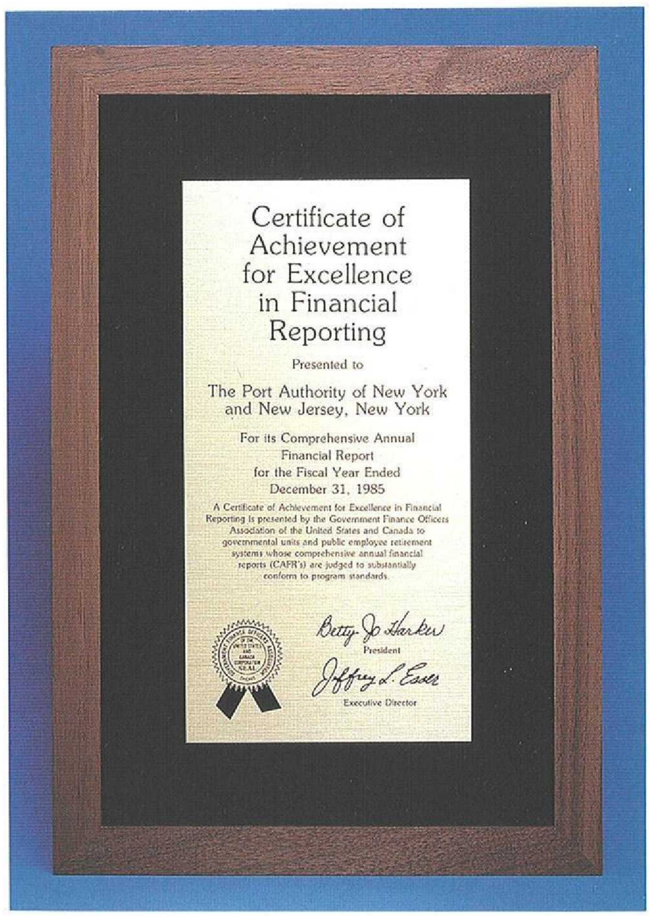


The Government Finance Officers Association of the United States and Canada Certificate of Achievement for Excellence in Financial Reporting, the highest form of recognition in governmental accounting and financial reporting, was presented for the second consecutive year to The Port Authority of New York and New Jersey for its 1985 Comprehensive Annual Financial Report.

Cover photo:
Workers at George Washington Bridge prepare forms for new concrete parapet wall to protect pedestrians crossing the Hudson via GWB sidewalk.

Honorable Thomas H. Kean, Governor
State of New Jersey

Honorable Mario M. Cuomo, Governor
State of New York

Honorable Thomas H. Kean
Governor, State of New Jersey

Honorable Mario M. Cuomo
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 New Jersey and New York Legislatures the 1986 Annual Report of The Port Authority of New York and New Jersey.

The Port Authority has reached an important milestone. After intensive discussions with both of you and your staffs, we have received approval to begin implementation of our $5.8 billion capital plan.

This comprehensive plan represents the largest level of capital investments that the Port Authority has ever undertaken at one time. The agency now will engage its unique revenue-generating capacity to make us better able to meet local service needs and compete successfully with other regions to the year 2000 and beyond.

We will add capacity and modernize facilities to keep things moving on our Interstate Transportation Network. The volume of people and goods moving over this system has been growing for the last several years. We project that forty-five thousand additional commuters from both states will be using our water crossings by 1990. Our program of rehabilitation, safety improvements and expansion will include a new mass transit ferry from Hoboken to Battery Park City.

We will add capacity at our Aviation and Port gateways to keep them competitive. The region's three major airports form the world's busiest aviation complex. Their total passenger traffic is expected to increase fifty percent by 1995. To keep our economic preeminence, we will modernize and expand to compete successfully against other hubs which have already committed huge investments in their facilities.

The Port of New York and New Jersey, one of the world's largest marine facilities, is facing heated competition—especially from ports in the North Atlantic Service Range. We will counter investments being made by other ports to maintain our competitive edge.

We will meet our special obligation to the region's sometimes forgotten urban areas. Funding for industrial park and waterfront development projects will serve as a catalyst for needed redevelopment in the Bronx, Yonkers, Newark, Elizabeth, Hoboken, and Queens (Hunter's Point).

As your approval indicates, it is essential that we enact our total capital plan now. The Port District Region is generally enjoying an eleven-year streak of prosperity that is unprecedented since World War II. Unemployment and inflation have fallen to their lowest levels in many, many years.

Our prosperity, however, presents a formidable challenge. It requires us to invest now in our region's infrastructure lifelines to maintain this enviable momentum and to provide a platform for even greater future prosperity.

We are pleased to have two Governors who have been full partners in the creation of this capital plan. Your statesmanship has encouraged us to develop a program that, in a larger sense, represents a renewed compact between the States of New Jersey and New York and the Port Authority.

The investments that flow from this compact will improve regional mobility, enhance our economic competitiveness, and improve the quality of life for the more than 16 million inhabitants of this region.

Sincerely,

April 9, 1987

Philip D. Kaltenbacher
Chairman

Robert F. Wagner
Vice Chairman

THE PORT AUTHORITY OF NY & NJ

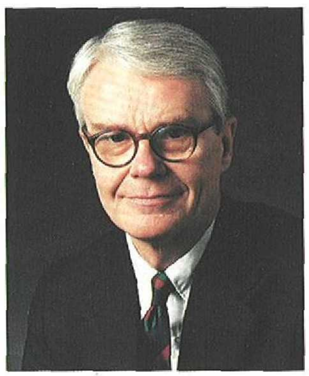
Board of Commissioners

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

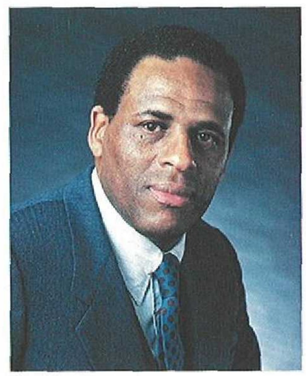
Philip D. Kaltenbacher
Chairman and Chief Executive Officer
Seton Company

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

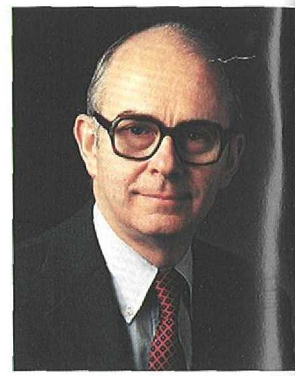
Jerry Fitzgerald English
Attorney
Kerby, Cooper, Schaul & Garvin



William K. Hutchison
Partner
Christenson and Montgomery

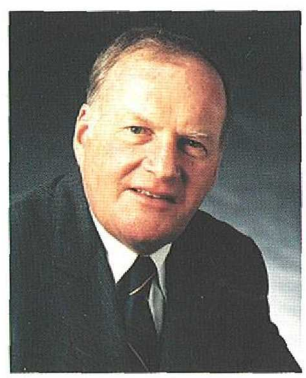


H. Carl McCall
Vice President
Citibank, N.A.

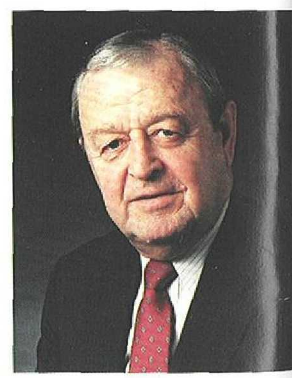


John G. McGoldrick
Attorney
Schulte Roth & Zabel

Howard Schulman
Attorney

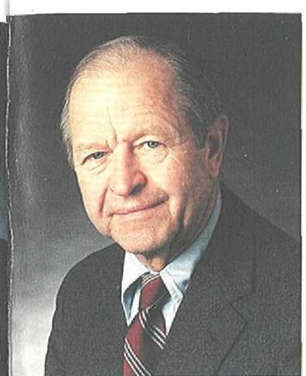


Robert Van Buren
Chairman of the Board and Chief Executive Officer
Midlantic National Bank

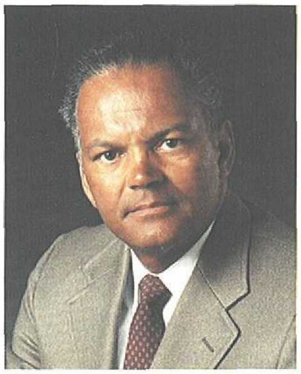


Robert V. Van Fossan
Chairman and Chief Executive Officer
Mutual Benefit Life Insurance Company

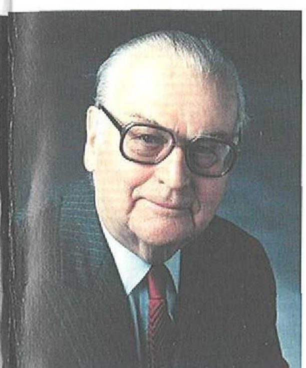
*Commissioner Van Buren joined the Board on April 9, 1986, succeeding Commissioner Sagner.



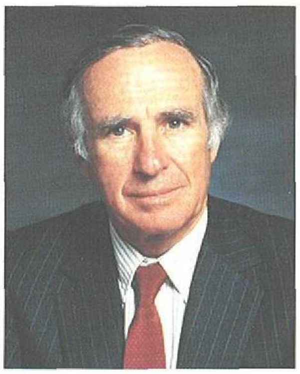
James G. Hellmuth
Vice President
Bankers Trust New York Corporation



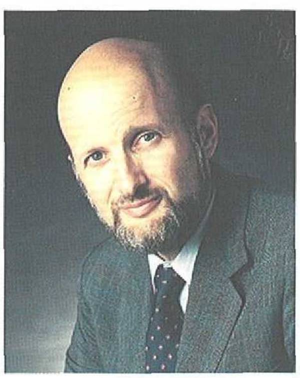
Henry F. Henderson, Jr.
President
H. F. Henderson Industries



Dr. William J. Ronan
Director
Carbon City Products, Inc.,
Metal Powder Products, Inc.,
Crossland Savings Bank



Alan Sagner
Principal
Alan Sagner Company



Stephen Berger
Executive Director

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Officers and Department Directors

Stephen Berger, Executive Director

Patrick J. Falvey, General Counsel and Assistant Executive Director
Sidney J. Frigand, Assistant Executive Director/ Government, Community and Public Affairs
Louis J. Gambaccini, Assistant Executive Director/ Interstate Transportation Network
Katy MacKay, Assistant Executive Director/ Administration
Hugh O'Neill, Assistant Executive Director/ Policy Planning and Business Development
Joseph L. Vanacore, Assistant Executive Director/ Capital Programs
Barry Weintrob, Chief Financial Officer[1]

Robert J. Aaronson, Aviation
Anthony Barber, Tunnels, Bridges & Terminals
Pilar Carbajal, Medical
Gene C. Gill, General Services
Francis A. Gorman, Comptroller
John E. Haupert, Acting Treasurer[2]
Richard R. Kelly, Rail Transportation
James J. Kirk, Port
Doris E. Landre, Secretary
Phil LaRocco, Economic Development[3]
Donald R. Lee, Audit
Lillian C. Liburdi, Management & Budget
Rino M. Monti, Engineering and Chief Engineer
Edward J. O'Malley, Personnel
James J. O'Malley, Management Information Services
David Plavin, Deputy Chief Financial Officer[1]
Martin E. Robins, Planning & Development
Victor T. Strom, Public Safety
Guy F. Tozzoli, World Trade[3]
Marshal L. Wilcox, Jr., Assistant Chief Financial Officer[4]

[1] Barry Weintrob began a 10-month mobility assignment to the corporate staff of CBS on March 2, 1987. David Plavin is acting as Chief Financial Officer.

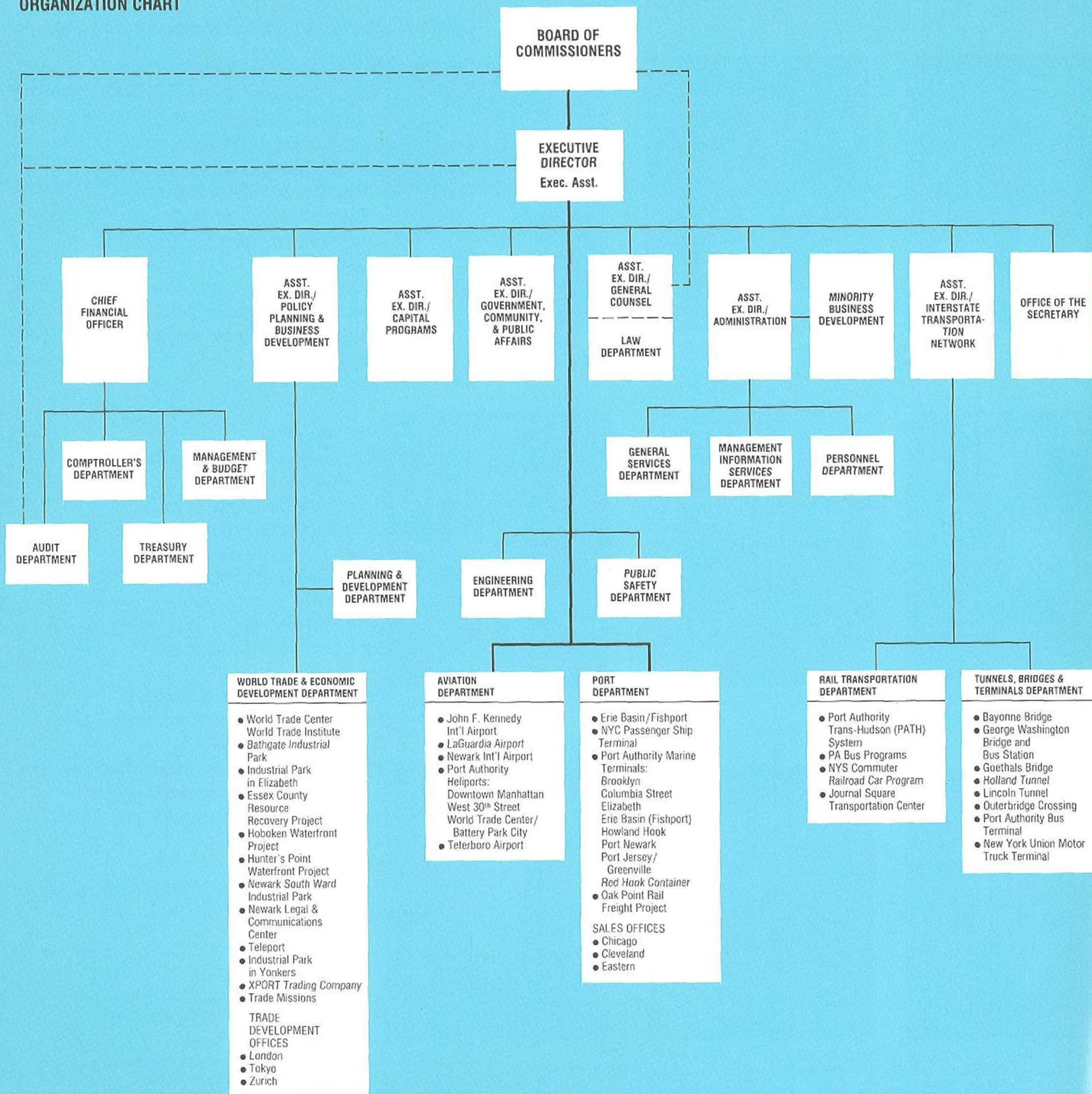
[2] John Haupert was named Treasurer on January 22, 1987.

[3] Phil LaRocco was named Director of a combined World Trade & Economic Development Department upon the retirement of Guy Tozzoli on February 19, 1987.

[4] Marshal L. Wilcox, Jr., retired January 9, 1987.

THE PORT AUTHORITY OF NY & NJ

ORGANIZATION CHART



THE PORT AUTHORITY OF NY & NJ
One World Trade Center
New York, N.Y. 10048

Stephen Berger
Executive Director

Letter from the Executive Director

The Port Authority's Annual Report for 1986 highlights a year of our region's continuing prosperity and a strengthened resolution to maintain our competitive edge as the nation's center for commerce and transportation.

In 1986 the agency set a new record in increased capital spending. Some half a billion dollars in capital resources were expended, indicative of the breadth of our commitment to maintain and operate facilities second to none. These investments were prelude to a $5.8 billion capital plan to be committed over the next five years. This will insure the expansion and rehabilitation of key transportation lifelines and improve the region's economic base.

The year 1986 also saw changes and trends in the regional environment which challenge our efforts to plan, operate and build new and existing facilities. Increased traffic congestion and changes in trade and transportation demands—all of which are byproducts of the region's growth—impacted significantly upon the Authority's local and international service networks. We also experienced major industry shifts. The demise of PEOPLExpress and bankruptcy of U.S. Lines demonstrated that there are problems as well as opportunities brought about by deregulation. Yet, both the aviation and port businesses posted overall gains in volume last year, confirming our projections that our huge aviation and port services market will continue to provide the opportunities for economic growth in our region.

Despite the positive indices of growth and prosperity, we must not be oblivious to the warning signals that can frustrate our planning over the next several years. Ensuring the quality and availability of the human resources that we must mobilize to realize these plans is going to be of paramount importance to the Port Authority and other jurisdictions in the region. There are indications that the labor pool, as it now exists in this region, is reaching its limits. We will be pressed to train more people to fill the jobs that will be needed for building and rebuilding this region and for providing the skills and professions to sustain the economy.

The challenge to target training and education to the economic needs of the region—which are vital ingredients in making this region able to compete—will call for approaches that transcend the capabilities of the Port Authority or any other single agency. Clearly, however, we recognize our responsibility in this regard and stand ready to work with the two states, local jurisdictions and sister agencies to tackle the problems of developing the human resources which exist here, but are still untapped.

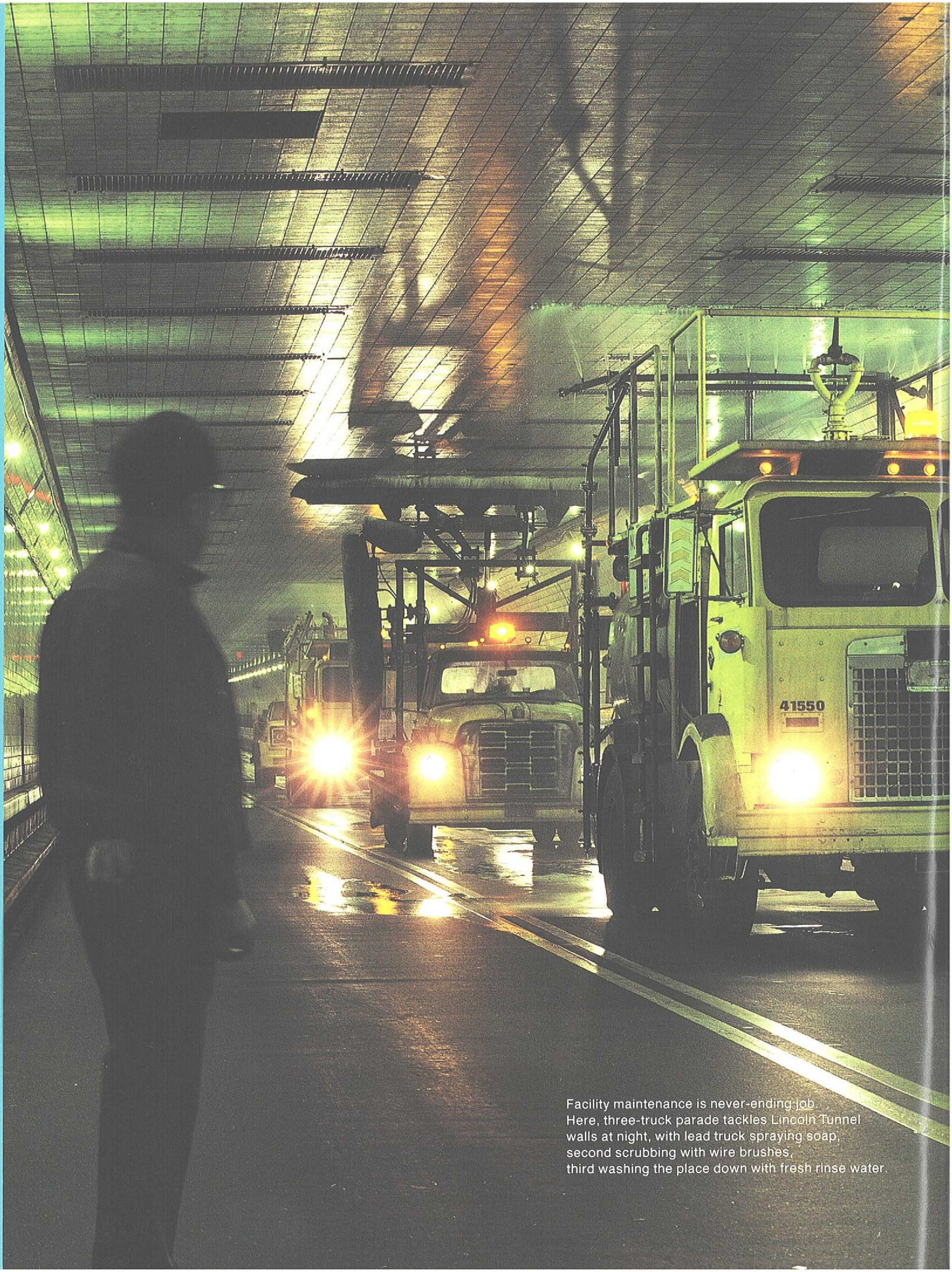
I am proud that the Port Authority has long had a tradition of training and developing excellent personnel. We are very much aware that their professionalism and skills will be sorely tested as we are called upon to manage unprecedented levels of capital spending, to maintain high levels of service, and to do all of this even as we rebuild and expand.

We are working to ensure that we have the work force needed to meet our objectives despite an ever-tightening labor market. Creating jobs and economic opportunities for people who have not shared in the region's new prosperity is an exciting and challenging aspect of the Port Authority's capital plan for regional revitalization.

As we look to 1987 and the years beyond, we stand committed and resolved to the dual obligation of improving our services to our patrons and tenants and of boosting our region's economic competitiveness for years to come.

April 9, 1987

Stephen Berger
Executive Director



Facility maintenance is never-ending job.
Here, three-truck parade tackles Lincoln Tunnel walls at night, with lead truck spraying soap, second scrubbing with wire brushes, third washing the place down with fresh rinse water.

THE PORT AUTHORITY— ON THE MOVE IN A COMPETITIVE WORLD

Year's end 1986 saw the Port Authority geared to sharpen the region's competitive edge in today's changing world.

In the course of the year, the Authority spent $481 million to upgrade its interstate transportation network, purchase new buses, create new facilities of commerce and economic development, and expand its air and marine facilities. This level of capital expenditure is a record increase over that of any prior year. But it is only an early step in the massive investment of dollars and of human resources needed to enable the agency to fulfill its regional responsibilities and move forward to meet the challenges of a changing marketplace.

To that end, in 1986 the Port Authority of New York and New Jersey proposed to both states a $5.8 billion capital program of unprecedented scope. The expenditures advanced would permit the Authority to speed rehabilitation and expansion of its aging or outdated transportation facilities, redevelop its port and marine complexes, and further its many commitments to the region's economic development.

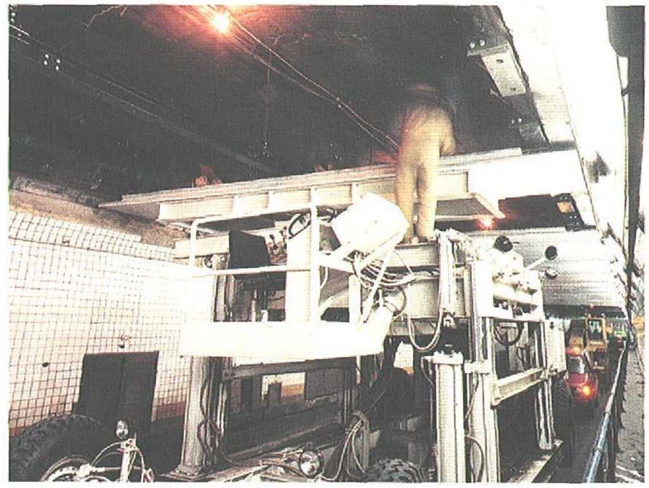
The outlook for the New York-New Jersey region has both pluses and minuses. In 1986 the regional economy continued the strong expansion that has characterized its performance over the last ten years. The Port Authority's annual economic analysis indicated that the region's growth will continue to gain momentum. The unemployment level for the year dropped to 5.8 percent, its lowest in more than a decade, and jobs were up by 1.8 percent. Nevertheless, unemployment rates among minorities and disadvantaged groups were still unconscionably high, even as demands for labor showed an upswing.

Northern New Jersey accounted for almost half of all new housing in the region in 1986. This additional housing, while of critical importance, followed a trend that had already changed commutation patterns and placed a heavy strain on the agency's tunnels and bridges, bus terminals and the PATH commuter rail system. The Port Authority accelerated its rehabilitation efforts during the year and completed plans for new initiatives to stave off the possibility of future gridlock at these vital transportation links, many of which were regularly operating at capacity during commuter hours.

Capacity and congestion are also burgeoning problems for the Port Authority's three major airports, which support one of the region's most crucial economic lifelines—the aviation industry. Accounting for 3.5 percent of the gross regional product, the industry generates close to $19 billion in economic activity, $3 billion in business income, $600 million in local taxes and $6.2 billion in wages and salaries. Some 300,000 people depend, directly or indirectly, on the aviation industry for their livelihood.

During the year, effects from recent changes in this volatile industry only began to make themselves felt at the Port Authority's airport complex. The challenge was, and will continue to be, how to keep this region's competitive edge as the nation's premier aviation gateway in the face of escalating passenger demand, deregulation, "merger mania," and the introduction of the new longer-range commercial aircraft able to fly non-stop from Europe to other competitive U.S. gateways, bypassing the New York-New Jersey metropolitan region.

In 1986, air passenger traffic at the three major airports rose by only one percent over 1985, but nonetheless reached a new record of nearly 79 million. LaGuardia Airport led the region with an eight percent gain while Newark International was up three percent. Kennedy International's passenger traffic slipped by six percent, but the decline could be attributed primarily to events overseas, including



Entire ceiling of Holland Tunnel's South Tube was replaced by nighttime work crews—a measure permitting traffic as usual during busy daylight hours.

Although new Holland Tunnel ceiling can be installed in huge prefabricated sections, damaged wall tiles must be replaced by mason the old-fashioned way. When renovation is completed, 60-year-old tunnel will be good as new.

terrorist incidents in Europe and the Middle East, and the Chernobyl nuclear reactor accident. The changing value of the dollar also affected international travel.

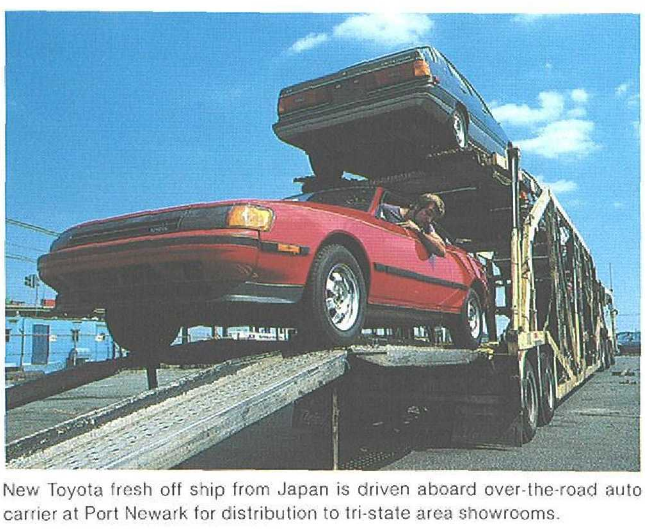
The Port Authority's regional airport system maintained its supremacy as the nation's air cargo capital throughout the year, handling 1,445,424 tons of cargo in 1986, a 2.6 percent gain over last year. That total, however, accounted for 36 percent of the nation's international air cargo, down from 39 percent in 1985.

Newark International showed a healthy 9.2 percent gain, emerging as an increasingly important center for small-package delivery. But the overall decline in the region's share of the international air cargo market in 1986 confirmed the seriousness of competition from other areas of the country, where rival airports have already invested millions of dollars in new cargo facilities.

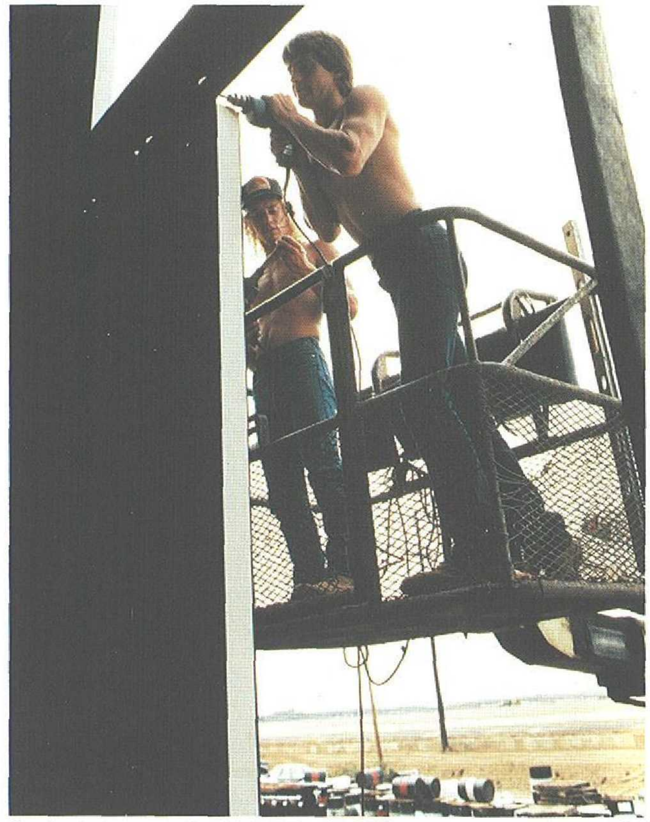
To maintain this region's preeminence as the nation's leading aviation gateway, the Port Authority took strong measures to keep pace with increasing demands on its airport facilities. The agency moved forward in 1986 on a battery of interim terminal and service improvements, including stepped-up security procedures, while gearing up to a $2.4 billion five-year modernization of its airports.

Like its aviation industry, the Port's maritime industry is crucial to the region's economic health, contributing more than $14 billion annually in economic activity, and accounting for some 200,000 jobs. By the end of 1986, for the third consecutive year, record volumes of general cargo had moved through the New York-New Jersey Port. Total oceanborne general cargo for the year rose one percent to a new high of 13,888,606 long tons. As in 1985, exports as well as imports contributed to the year's gains, with imports from Asia increasing a healthy nine percent, reflecting the ever-increasing trade between the U.S. and the Pacific Rim countries.

Despite the fact that at year's end the port had handled 45 percent of the general cargo moving through all North Atlantic ports and 10.5 percent of the nation's import/export waterborne cargo, it had lost one percent and two-tenths percent market share respectively.



New Toyota fresh off ship from Japan is driven aboard over-the-road auto carrier at Port Newark for distribution to tri-state area showrooms.



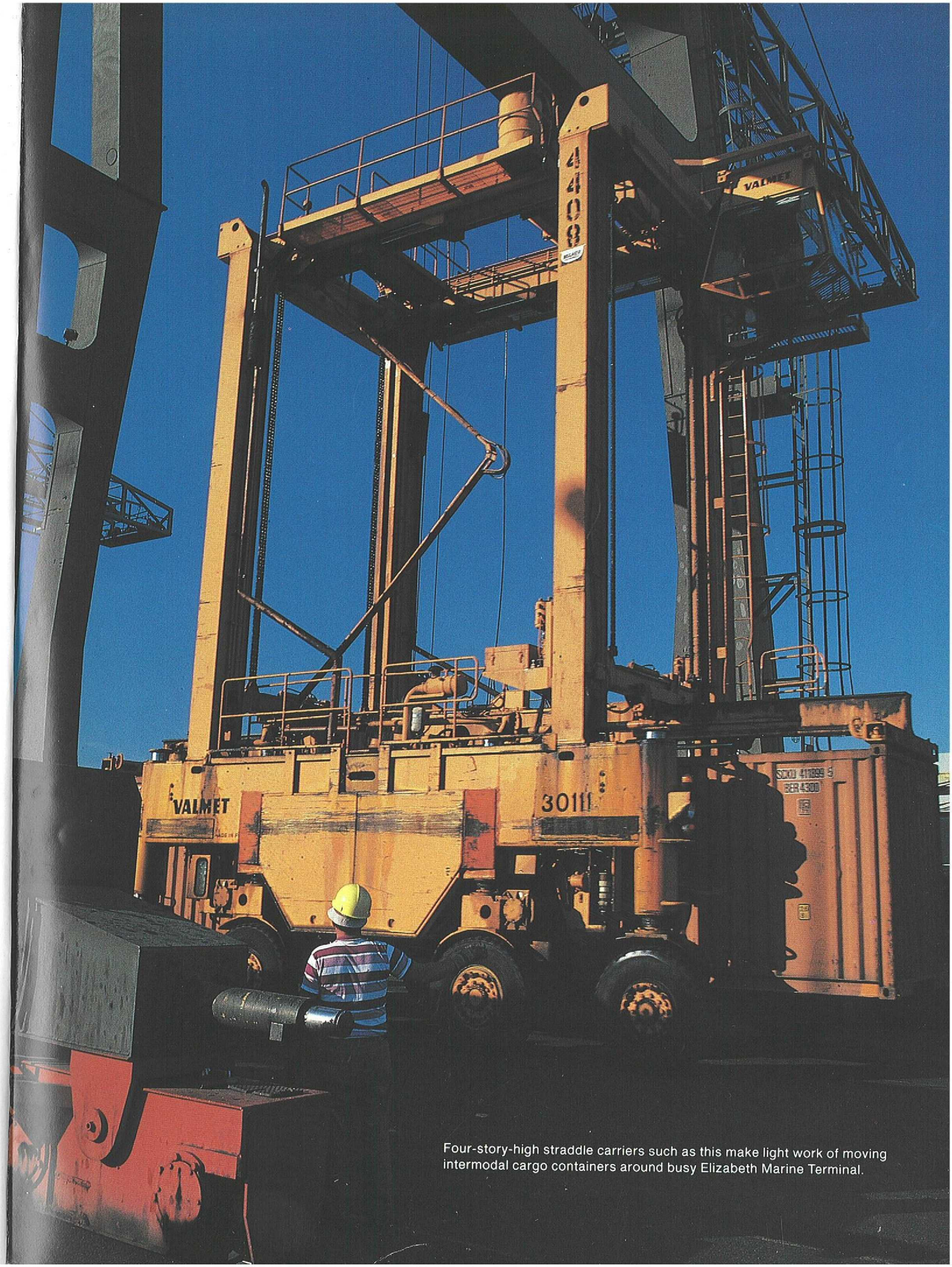
Contractor's men work under hot sun on new warehouse taking shape at Port Newark/Elizabeth-Port Authority Marine Terminal complex.

Although inter-port rivalries intensified, this port continued to handle more general cargo than any other single port in the nation. Its primacy as a consumer marketplace also remained beyond challenge. Yet in 1986 the port's business, like that of the regional airport system, was subject to a complexity of industry and regional challenges, some of which remained to be resolved.

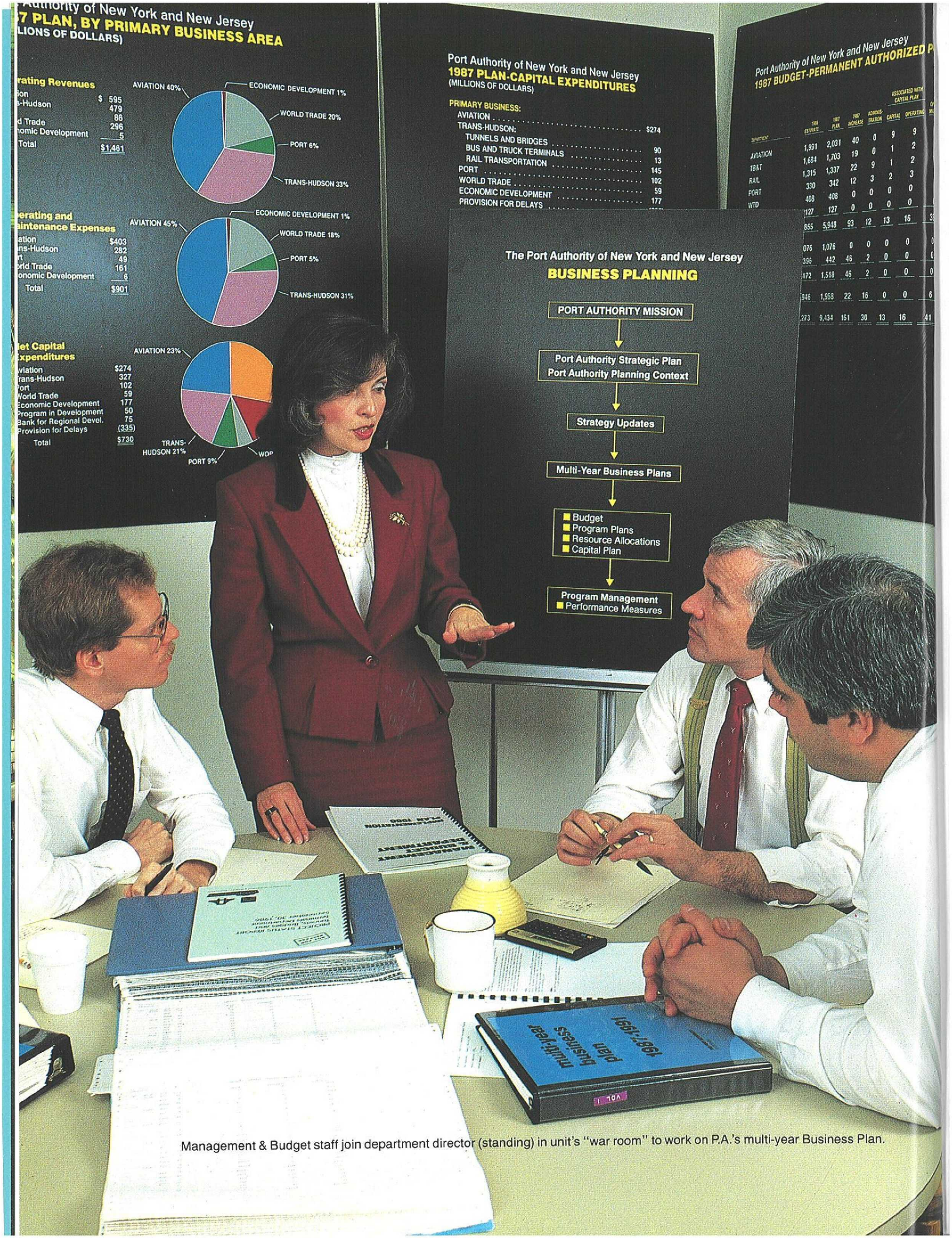
The maritime industry itself continued to be beset both by an excess of ships in liner trades, and by the great imbalance between imports and exports—dual burdens which heightened carrier and port competition and kept ocean freight rates at pre-1980 levels.

In November, a leading carrier, United States Lines, fell victim to these problems and filed for Chapter 11 protection under the Bankruptcy Code. As part of its reorganization, the company dropped its North Atlantic and around-the-world services and vacated its container terminal at Howland Hook on Staten Island. Its fleet redeployment included laying up the company's 12 new "econ" ships, which are the largest containerships in the world. U.S. Lines had previously been responsible for moving up to 20 percent of the port's maritime trade—trade that included a sizeable proportion of our imports from Asia and that would now be up for grabs. The line's departure from Howland Hook has left this New York City-owned, Port Authority-leased facility without a tenant. Both the agency and the city are actively exploring other tenant possibilities.

Another threat to the healthy upswing in Asian imports emerged with the increasing use of west coast ports and



Four-story-high straddle carriers such as this make light work of moving intermodal cargo containers around busy Elizabeth Marine Terminal.



Management & Budget staff join department director (standing) in unit's "war room" to work on P.A.'s multi-year Business Plan.

transcontinental shipment via rail "mini-bridge" for goods that would otherwise have been delivered directly to the New York-New Jersey Port aboard inbound containerships. While mini-bridge service is faster, it is also more expensive than all-water delivery. However, intense competition in the freight shipping industry has kept container "through" rates the same for both transportation modes. Efforts to promote adoption of premium mini-bridge rates were continuing at year's end.

A positive development affecting the port was the Congressional authorization of the sale of Conrail by public stock offering rather than directly to the Norfolk Southern Corporation, the Administration's original designee. The Port Authority had argued vigorously for this legislation, concerned that Conrail's acquisition by another railroad would impact adversely on this region. The worry was that Norfolk Southern, facing stiff competition at all other major Atlantic ports, would be forced to funnel assets into those ports rather than into the New York-New Jersey Port where Conrail enjoyed a service monopoly.

The Port Authority has a primary commitment to maintain and strengthen this port as the leading load center in the North Atlantic region. To that end, the agency is working hard to create the best possible combination of accommodations and services available anywhere and is ready to implement a five-year $510-million plan to upgrade and expand its marine facilities.

The region's international trade in 1986 continued to grow as the value of two-way trade through the New York Customs District climbed 10.4 percent. However, regional trade continued to face many of the same international pressures as did U.S. trade. Regional exports and U.S. exports were restrained by the high value of the dollar (declining somewhat by year's end), foreign competition, slow economic growth in the major industrial countries, and the heavy debt-servicing burden on many less developed countries.

On the positive side, the year saw the U.S. and Canada open negotiations on a new bilateral free-trade agreement, while this country, in September, joined other members of

Associate designer checks drawing detail of new floor drains for Holland Tunnel in Engineering Department's Computer-Aided Design & Drafting unit.

Commissioner Henry F. Henderson, Jr., and Chairman Philip D. Kaltenbacher greet year's most distinguished visitor to WTC Observation Deck: Vice Premier Yao Yilin of People's Republic of China.

the General Agreement on Tariffs & Trade (GATT) in agreeing to launch a new round of multilateral trade negotiations. The GATT negotiations will seek to improve international trade rules and, if successful, could broaden foreign markets for this region's exports, benefiting particularly the region's service and high-tech firms.

Capital Reserves and Human Resources

The $5.8 billion capital program the Authority was prepared to launch by year's end represented the most ambitious ever outlined by this agency. To ensure that the funds would be there when needed will continue to require financial management of the highest order.

During 1986, the Port Authority held firm on its traditional determination to preserve the agency's fiscal integrity. The agency continued to protect its capital assets, provide adequate reserves to protect its bondholders, and husband its revenues, while it moved forward to enhance its position by taking advantage of new developments in the financial markets.

Among the year's fiscal innovations:

- In October, the Commissioners authorized investment in U.S. Treasury and municipal bond futures to reduce the interest rate risk on a future refunding of a Port Authority bond issue. The first phase of this risk-reducing program was scheduled for initiation in January 1987.
- An owner-controlled insurance program, implemented in July, was expected to lower overall capital program costs through substantial construction insurance premium savings. Among other advantages, this program will make it possible for smaller contractors such as minority- and women-owned enterprises to bid on Port Authority contracts.

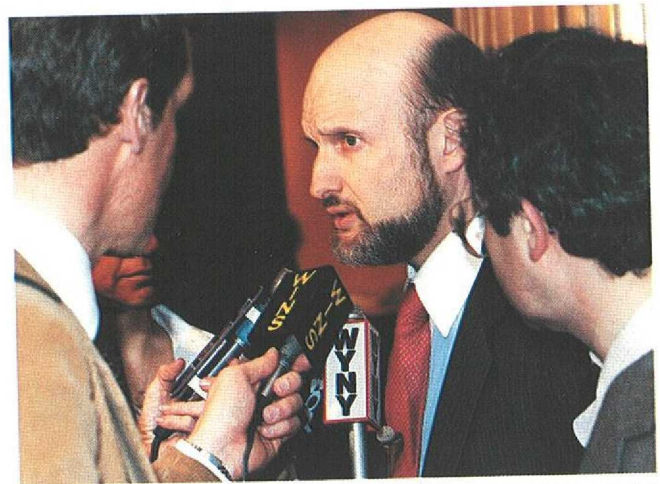
Heavy capital expenditures covered only one kind of Port Authority investment in the region in 1986. The other kind came from Port Authority staff on all levels, from all backgrounds and with all degrees of direct responsibility. Throughout the year, they gave of their talent, expertise and energy to meet operational needs under an exceptional variety of pressures, maintaining their high standards of service to the public come rain, shine, crisis or construction. Were it not for the unstinting efforts of this strong cadre of career public servants, the Port Authority's capital program would be moot, and none of what follows would have been possible.

THE INTERSTATE TRANSPORTATION NETWORK: KNITTING THE REGION TOGETHER

The Port Authority's most heavily used facilities, its vehicular crossings and commuter railroad linking New York and New Jersey, reported a record 1.2 million average weekday trips in 1986. Because of the continuing growth forecast in the movement of people and goods between the states, the agency stepped up its efforts to rehabilitate these aging facilities. In addition, the Port Authority organized interagency cooperation to improve operations in the bistate transportation system and intensified its planning for expanded passenger-carrying capacity during commuting hours.

The Interstate Transportation Network operated by the Port Authority includes the Holland and Lincoln Tunnels; the George Washington, Bayonne, and Goethals bridges and the Outerbridge Crossing; the PATH system; and two Manhattan bus terminals. They serve a growing and increasingly integrated market reflecting the region's expanding economy. Maintaining mobility at these interstate connections and other key regional transportation facilities in the face of growing demand is a major challenge for the region.

Traffic figures in 1986 verified the Port Authority's assessment of system needs and changing regional travel patterns. Traffic on the three trans-Hudson vehicular crossings increased 2.7 percent overall, but little growth occurred during peak commuting hours with the exception of record bus volumes through the Lincoln Tunnel's exclusive bus lane system. Total PATH ridership rose 7.1 percent to 57.6 million, and by eight percent during commuting hours. These figures made it clear that the transit share of the trans-Hudson commuter market, already 80 percent of those bound for the Central Business District in Manhattan, was continuing to grow.

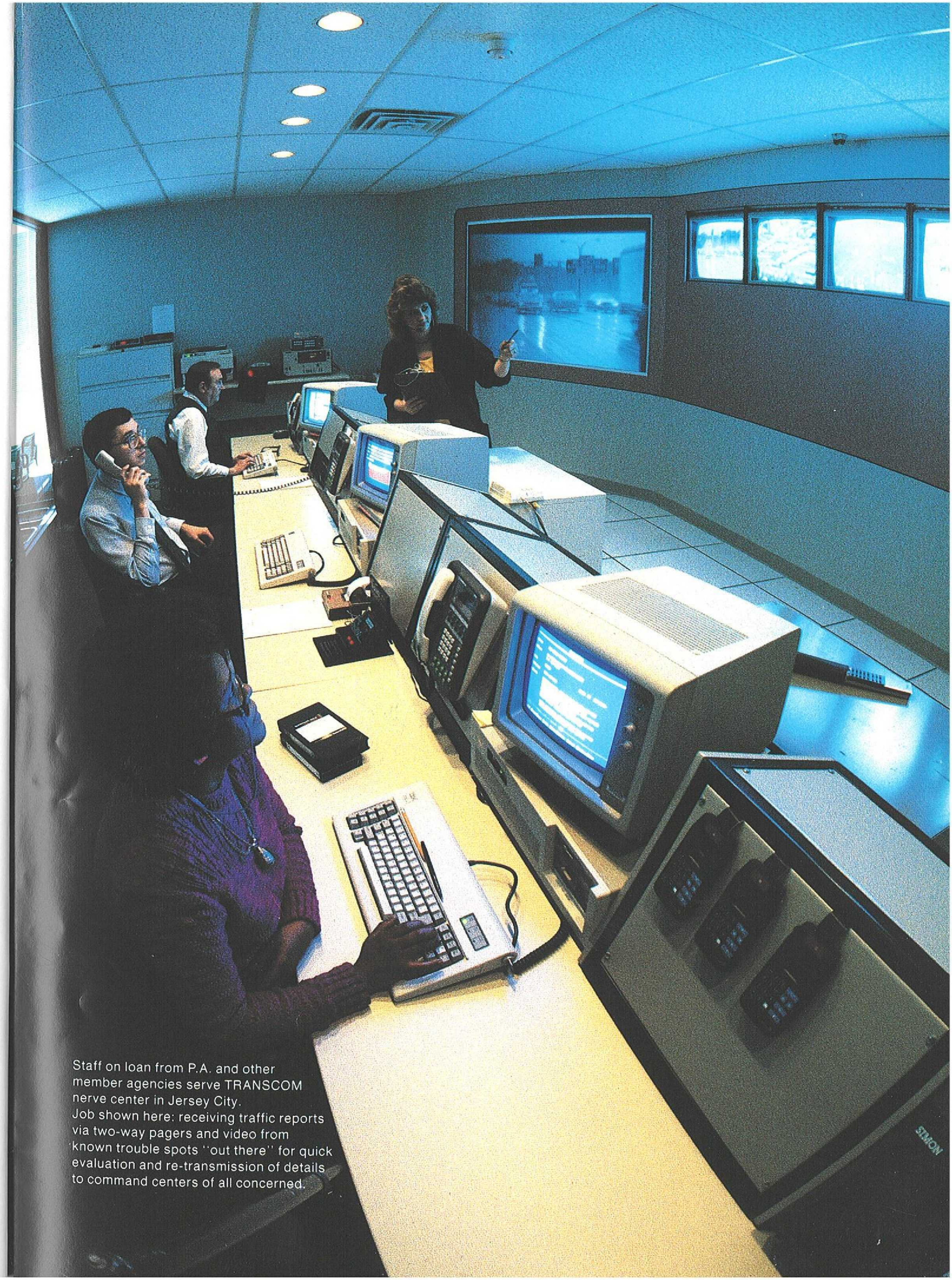


Press conference covering study of region's economic outlook over coming decade ended, as most do, with clusters of reporters surrounding key speakers. Here, P.A. Executive Director handles barrage of questions.

The three Staten Island bridges recorded an even sharper 9.4 percent rise in total traffic. Recent Port Authority traffic studies tied the rise closely to the system's critical role in connecting Staten Island and the central New Jersey counties that together are outpacing the region in population and job growth.

The vehicular crossings also continued to carry more freight. A commodity survey of eastbound truck traffic, completed during the year, noted a 14 percent increase in truck movements between 1974 and 1985, an increase that generally kept pace with growth in auto volumes. The survey findings reported the six interstate vehicular crossings handling more freight—65 million tons valued at $105 billion—than the region's marine and air cargo facilities combined. Two-thirds of the surveyed truck trips were locally oriented, rather than simply transient.

Entire range of Port Authority activities and projects receives wide attention from regional and international news media. Agency is primary source of information on questions of transportation and trade.



Staff on loan from P.A. and other member agencies serve TRANSCOM nerve center in Jersey City.
Job shown here: receiving traffic reports via two-way pagers and video from known trouble spots "out there" for quick evaluation and re-transmission of details to command centers of all concerned.

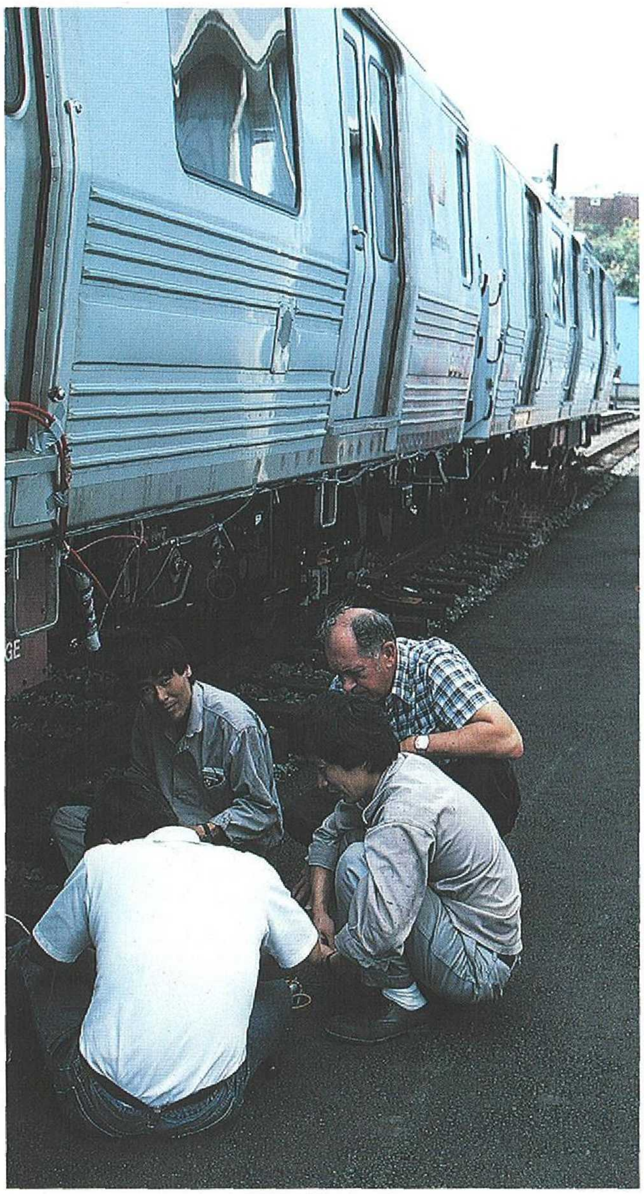
Made-in-Japan shells of new PATH cars are shown here being offloaded at Red Hook Container Terminal in Brooklyn. Thereafter, shells were reloaded onto a barge for waterborne delivery to rail car manufacturer in Industrial Park at Yonkers. Twenty-five cars were in service by year's end.

Preserving and improving these regional transportation lifelines is a basic Port Authority responsibility and a major focus of its construction program and interagency planning efforts. The agency proposed to the states in 1986 a $1.5 billion five-year program to advance these objectives.

Reconstruction and Safety Improvements

Nearly all the agency's bistate transportation facilities are well over a half-century old. All require extensive rehabilitation to maintain high standards of safe and efficient operation. To keep essential repairs moving forward with minimal disruption to the public, off-peak work scheduling and innovative construction techniques have been used almost universally. Among program milestones reached in 1986:

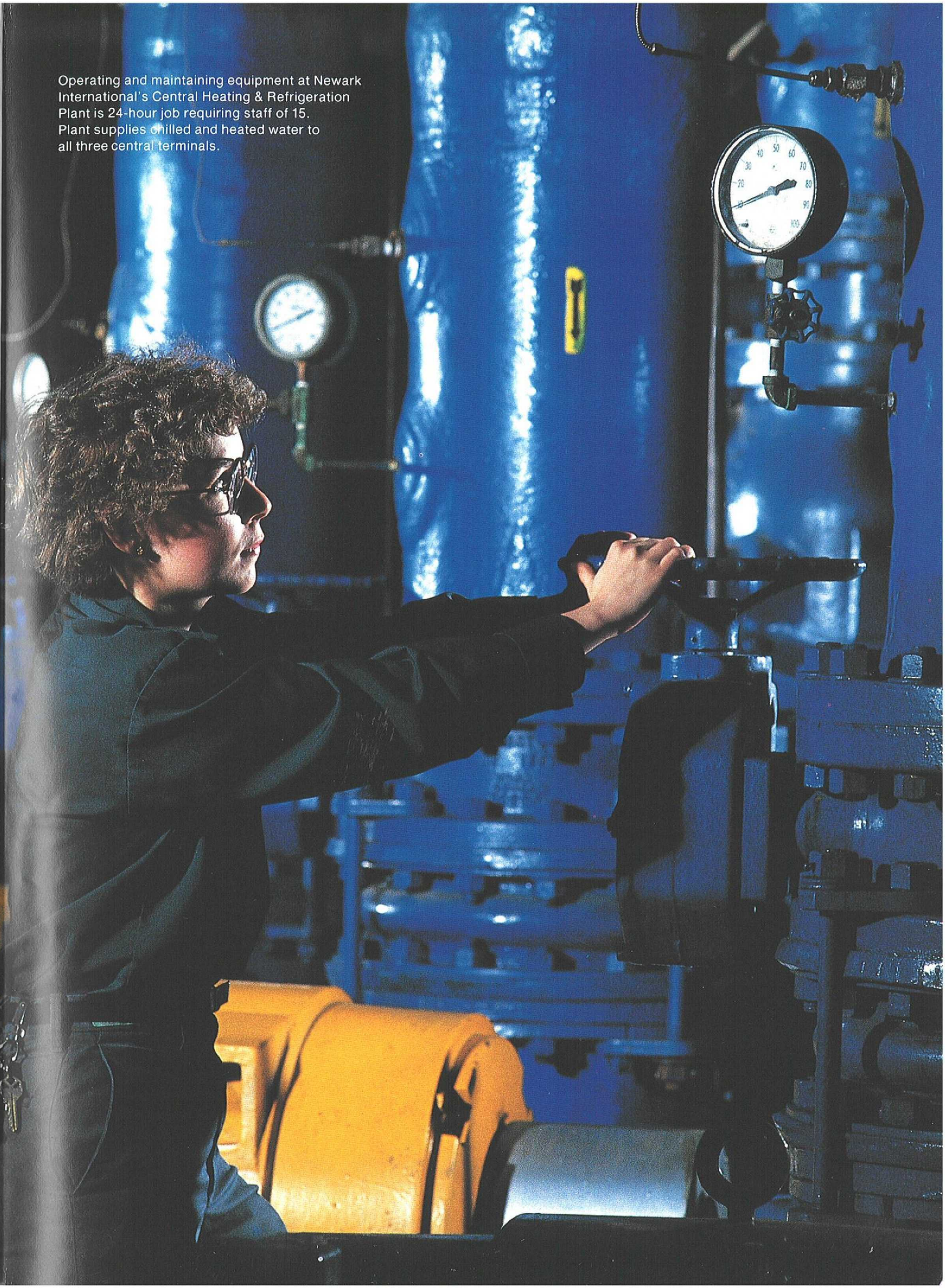
- PATH's comprehensive rehabilitation continued with installation of 3½ miles of water pipes for emergency response purposes, bringing this project to approximately 98 percent of completion through the 14-mile transit system.



Japanese technicians at PATH's new Satellite Car Repair Shop in Jersey City discuss details of new PATH cars with P.A. staff inspectors.

- Systemwide upgrading of PATH's emergency ventilation systems continued with completion of a new ventilation shaft at the Pavonia Avenue station and work on others at Exchange Place and Christopher Columbus Drive, all in Jersey City. Three other shafts, two in Manhattan and one in Jersey City, were under design at year's end.
- PATH's comprehensive station improvement program moved forward with 1986 completion of work at five platforms in New Jersey and New York. Work began on five additional platform areas.
- Preliminary design work began for a new car repair shop and yard to be located in Harrison, New Jersey. Scheduled for completion in 1990, the new shop will have at least 50 percent more capacity than the existing 76-year-old facility in Jersey City.
- The complex installation of prefabricated ceiling panels throughout the Holland Tunnel's South Tube was completed in December, and work is in progress for the replacement of the signal system, the lighting system, curb drains and niche doors. With this important segment of the work completed, rehabilitation of the Holland Tunnel is nearing the halfway mark.
- Rehabilitation of the Lincoln Tunnel-Dyer Avenue bridge was begun and a new Lincoln Tunnel emergency garage neared completion.
- Complete rehabilitation of the Outerbridge Crossing roadway advanced on schedule with the completion of the two eastbound lanes and a start on the westbound lanes.
- The Port Authority took delivery in 1986 on a new fleet of emergency response vehicles with upgraded firefighting capabilities for service at the Holland and Lincoln tunnels and the Staten Island Bridges.
- Continuing facility and operations improvements at the Port Authority Bus Terminal included a new escalator between the second and third floors, modernization of the

Opening of PATH's newly renovated 9th Street station in New York calls for ceremonial ribbon-cutting by local community leaders, PATH and P.A. staff.



Operating and maintaining equipment at Newark International's Central Heating & Refrigeration Plant is 24-hour job requiring staff of 15. Plant supplies chilled and heated water to all three central terminals.

lower level loading platform, a new telephone center, and plans for an automated bus information system for use by patrons and facility staff.

Enhancing Interstate Mobility

The Port Authority has endorsed upgrading and expanding public transportation services as the only workable near-term solution for accommodating the continuing growth of trans-Hudson commuter traffic to New York. The agency has therefore outlined investments and joint projects which could bring improved services on line within the next several years. Important gains became evident in 1986:

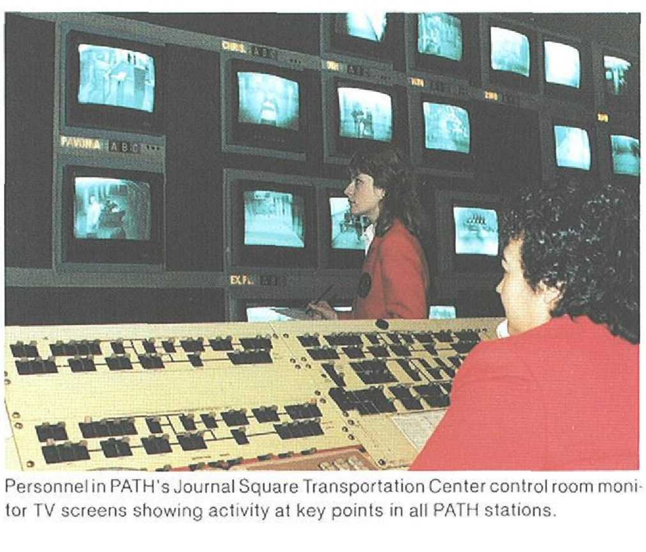
• The first 25 of 95 new PATH cars went into service, along with the first 15 completely rehabilitated older cars. The $265-million PATH car program provides for replacement or rehabilitation of the entire fleet, with added cars eventually permitting extended train lengths and improved schedules.

• The Port Authority outlined to the states plans for a modern passenger ferry service connecting Hoboken and Lower Manhattan, together with options for further capacity expansion of PATH's Newark/World Trade Center service. These plans, combined with proposed feeder rail improvements, could result in public transportation capacity flexible enough to meet the growing demand of the Lower Manhattan commuter market through the end of this century.

• The agency expanded its exclusive bus and carpool lane at the George Washington Bridge and saw continuing success of its prepaid bus tolls program, developed to expedite the flow of traffic during peak periods at the Lincoln Tunnel. The Lincoln Tunnel's exclusive bus lane system alone carries as many commuters into Manhattan each morning as does the entire PATH system.

• The Port Authority purchased 29 buses for the NYC Transit Authority, 27 for Westchester County commuter service, and 110 articulated buses for New Jersey Transit, bringing to more than 2,800 the number of buses purchased by the agency for use by transit operators in both states under its $440-million Bus Programs.

• The agency also allocated funds, made available by agreements between the Governors, to enable construction on Route 169 in Bayonne, to improve and expand park-and-ride facilities at eight New Jersey Transit commuter rail stations, and to help the State of New Jersey relocate a Conrail line in order to free a right-of-way for new public transit services in Bergen and Hudson counties.



Personnel in PATH's Journal Square Transportation Center control room monitor TV screens showing activity at key points in all PATH stations.

Interagency Programs

In its continuing effort to improve the efficiency of the region's road and transit network, the Port Authority sponsored coalitions with key agencies on both sides of the river in advancing a variety of programs:

• TRANSCOM, a 17-agency coalition created to improve traffic monitoring and flow and to coordinate construction schedules, opened a high-tech operations center early in 1986 in the Port Authority's Journal Square Transportation Center complex. TRANSCOM's program, underwritten by formal agreement in August among the Authority, the City of New York and the transportation departments of both states, was assured of financial and staffing support for the next three years.

• TransitCenter, a coalition of regional transit operators and local business leaders, was formed in mid-1986 to encourage greater commuter use of mass transportation into Manhattan.

• The year also marked progress among the region's public agencies in coordinating truck regulations and safety enforcement regarding the movement of hazardous cargo.

AVIATION AND SHIPPING: MEETING THE COMPETITION

Although rival air and sea gateways continued to challenge the Port Authority's regional airport and marine terminal systems, new passenger and cargo records were set for both these basic New York-New Jersey economic lifeline industries.

Aviation

Major projects at John F. Kennedy International Airport at year's end, either completed or under way, included:

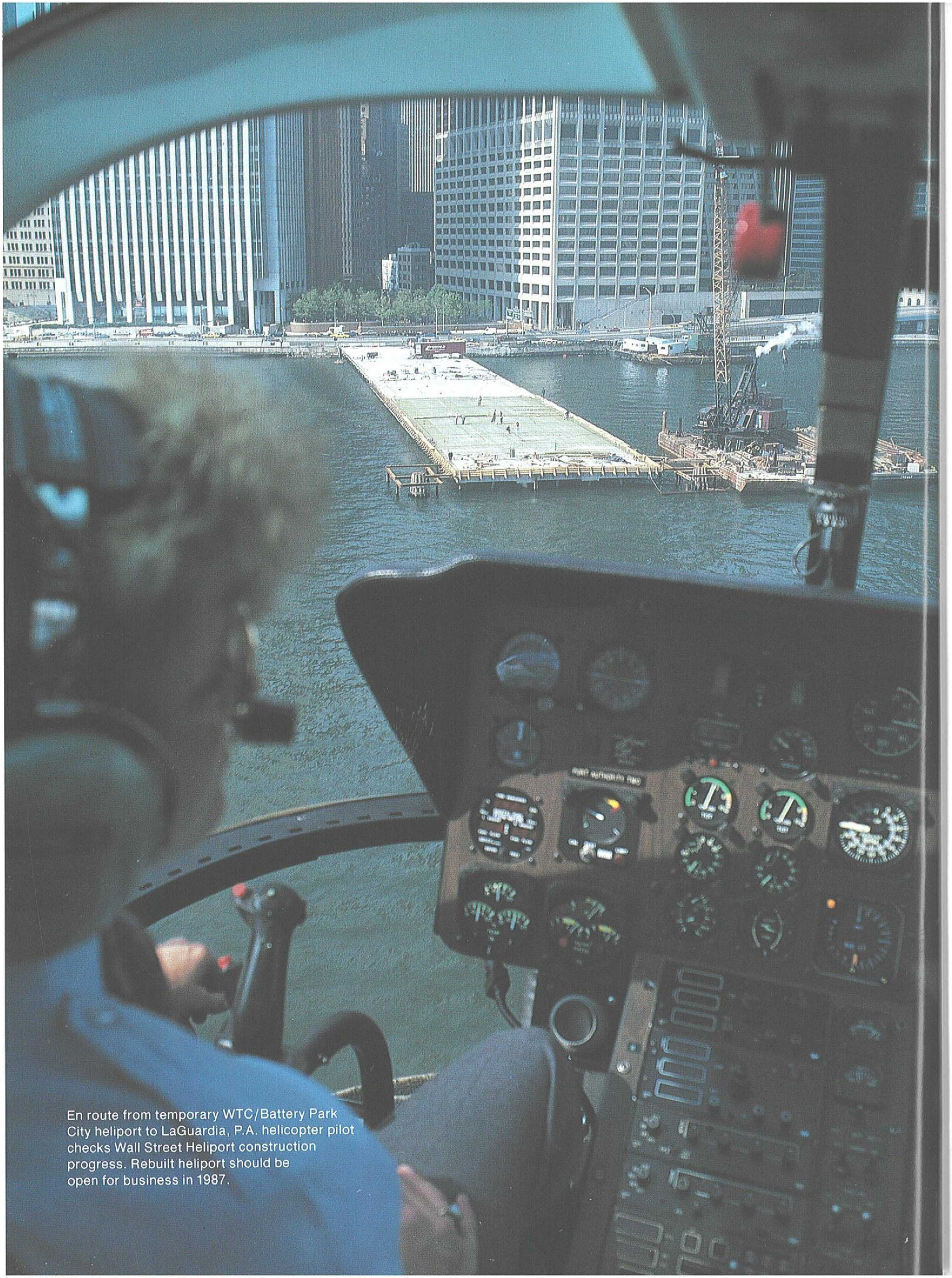
• A $7 million baggage conveyor system and centralized interline baggage area began operating in the International Arrivals Building in September to speed luggage transfer between overseas and connecting domestic flights.

• Sixty modern counters and new cashiers booths replaced outmoded installations in the Customs Hall, improving service to travelers entering the U.S.A.

• Plans were completed for the reconfiguration of the IAB's East and West Wing Immigration and Naturalization Service staging area, with reoriented inspection booths for INS staff, additional multilingual signage and an entirely new office/secondary-inspection area.

• Work progressed on transforming Kennedy's present two-lane, mixed-use 150th Street roadway into the new

Containerload of imports from Asia is eased out of Japan Air Lines air freighter at John F. Kennedy International's Air Cargo Center.



En route from temporary WTC/Battery Park City heliport to LaGuardia, P.A. helicopter pilot checks Wall Street Heliport construction progress. Rebuilt heliport should be open for business in 1987.

limited-access, median-divided, four-lane JFK Expressway. The Expressway, scheduled for completion in the spring of 1988, will be enhanced by parallel service roads for public use and a service road restricted to commercial use connecting the North Cargo Area to the airport's Central Terminal Area. The new roadway system will be directly connected to the Van Wyck Expressway, the Belt Parkway and the Nassau Expressway.

Ongoing projects and service improvements at Newark International Airport during 1986 included:

• Construction of Terminal C was two-thirds complete by year's end, with structural steel, apron area, roof, fascia and the fuel distribution system in place. Work progressed on the terminal's moving sidewalks, electrical/mechanical systems and interior finishes. When completed in the fall of 1987, the terminal will offer up to 42 new gates and 850,000 additional square feet of space for expanded air service. Construction also began on a third express lane in the roadway system near the terminal.

• Work began on a central ground transportation area for 250 taxis and on a limo and bus staging area, scheduled for completion by June 1987.

• By Thanksgiving of 1986, Parking Lot F, a permanent long-term parking lot under construction, was being used as a 2,000-space overflow lot to handle holiday parking demand. When finished in the spring of 1987, the lot will provide 3,000 additional parking spaces.

• The Airlink service, providing connections between Newark Airport and Downtown Newark—and to regionwide destinations via PATH, AMTRAK, and New Jersey Transit bus and rail lines—was taken over by New Jersey Transit during the year. Airlink now provides a 20-hour service daily with full-size, heated and air-conditioned buses that stop at Terminals A, B, C and the North Terminal every 20 to 30 minutes.

Among modernization programs and new services at LaGuardia Airport were the following:

• On October 1, 1986, Pan Am began operating its hourly shuttle service to Boston and Washington D.C. from a new wing of the Marine Air Terminal that the airline constructed on a fast-track basis. The wing terminal consists of 40,000 square feet of space and four new aircraft gates.

• Central Terminal Building modernization progressed as United Airlines continued its relocation project which will provide more space for additional counters to accommodate more patrons. Other CTB airline tenants were planning alterations to their areas with work to begin in 1987.

• Also at the CTB, Marriott Host, operator of eating facilities at LaGuardia—some dozen in number—began work on a new fast food restaurant opening in January 1987. Work progressed on their other food facilities.

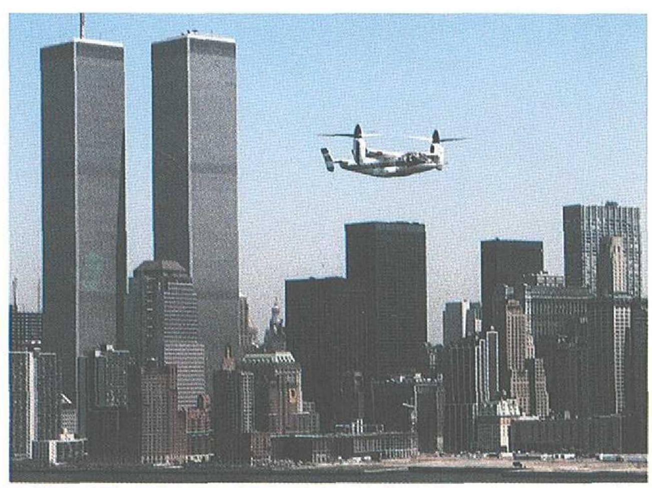
• Planning continued on development of the new East End Passenger Terminal, to be built next to the Eastern Airlines Shuttle Terminal. The new terminal will split airport traffic between the central and east end areas, a key to handling the 30 million passengers expected by the year 2000.

In 1986, Port Authority aviation promotion programs included spring and fall advertising campaigns promoting the advantages of trans-Atlantic travel through the New York/New Jersey gateway and fly/drive vacation opportunities in the bistate area. In addition, the "Gateway America" seminars for overseas travel agents were continued in nine European cities, and comparable programs were held for the European air cargo community. During the year, an array of agency-produced publications, including brochures, map/guides and directories, helped keep the travel and cargo industries and the traveling public informed of the latest services available at the three airports.

Kennedy, Newark and LaGuardia together continued to handle more air cargo than any other air cargo center in the world in 1986. During the year, capital cargo projects under way or completed included the following:

• A $53-million Federal Express Metroplex Hub opened at Newark International in early spring. The 250,000 square foot facility for sorting small packages and documents tripled the company's operating space at the airport.

Aerial view of Newark Int'l's Terminal C emphasizes lengthy concourses. Facility will expand airport capacity by up to 42 gate positions.



Governmental and aviation officials convened at WTC in May to assess potential of hybrid "tilt-rotor" aircraft for short-haul air travel. Here, tilt-rotor departs WTC Battery Park City heliport for spin around city.

• A 48,000 square foot cargo terminal opened at Newark in July with four airline tenants in occupancy by year-end.

• An $11 million cargo distribution facility for overnight packages was under construction by United Parcel Service on a 28-acre site at Newark International, with completion scheduled for late spring of 1987.

• The nation's first international clearance center for air couriers opened at Kennedy in March, 1986, and by year's end was handling 750 to 800 bags of small packages and documents per week.

• Another first for U.S. airports was the November opening of a new Central Cargo Examination Facility in Building 88 at Kennedy, at which U.S. Customs will clear all cargo being handled by the many nearby cargo container stations.

• Early in the year, the King Interests began work on two large cargo terminals at Kennedy International. The first, already leased to two tenants, was scheduled for completion in 1987; the second should be completed in 1988. Together, the cargo complex will be able to handle four Boeing 747 freighters.

• In June, the agency entered into a contract with Arthur Anderson Company to design and develop phase two of Air Cargo Fast Flow, a state-of-the-art cargo inventory control and clearance system, scheduled to become operational in the fall of 1987.

Work is near completion on the expanded and improved Downtown Manhattan Heliport located on Pier 6 on the East River. One of four all-weather instrument landing heliports in the nation, the new facility is scheduled to open in 1987.

Shipping and the Port

In November 1986, a crucial step toward meeting requirements of today's jumbo ships was taken when President Reagan signed legislation authorizing the U.S. Army Corps of Engineers to dredge the Port of New York and New Jersey's key shipping channels to new 40-foot depths. The first dredging bill to become law in 14 years, the legislation also ruled that, for the first time in history, the responsible agency in each port to be serviced must pay a percentage of the cost. Total cost of this port's dredging is estimated at $156 million, of which the Port Authority will pay 35 percent.

The Port Authority signed an agreement to this effect with the Corps in 1986; dredging is expected to begin in July on the channels of the Kill Van Kull and Newark Bay.

The Port Authority's Red Hook Container Terminal in Brooklyn is home to 18 steamship lines serving ports around the world.

Other developments during 1986 in the Port of New York and New Jersey include:

• A record 534,000 foreign automobiles entered the country via the New York-New Jersey Port, bringing the ten-year count to more than 3,250,000 imported vehicles.

• Maher Terminals, Inc., the largest terminal operator with facilities at both Port Newark and the Elizabeth-Port Authority Marine Terminal, leased additional acreage, including a 110-acre terminal and Berths 52-60 on the Elizabeth Channel, for better service to its steamship company clients.

• At Port Newark, work began on November 21 to convert two older distribution buildings into a modern plant for Atlantic Gypsum. Upon completion, the plant will employ 175 people and generate an additional 150 jobs among local suppliers, truckers and other related businesses.

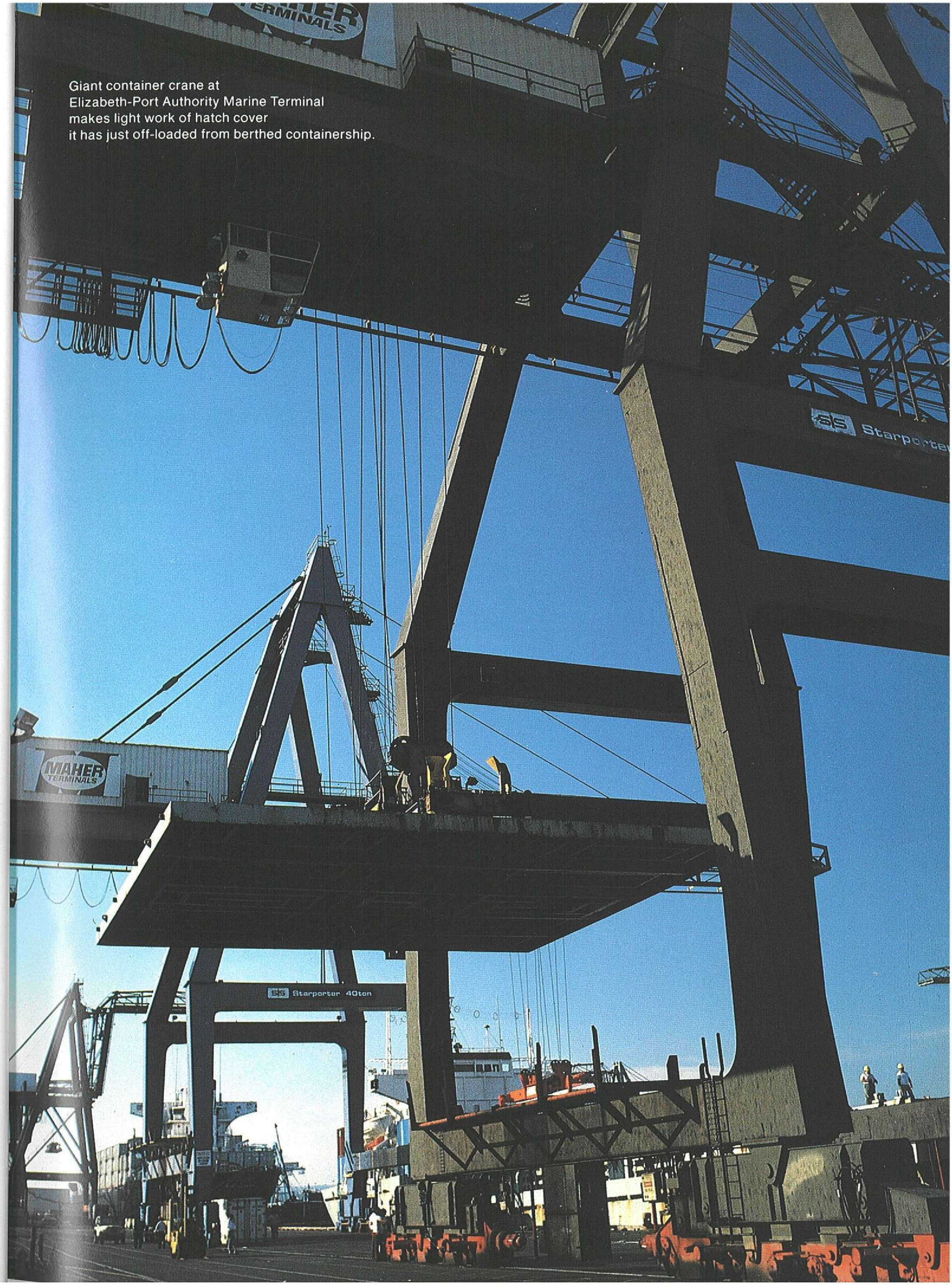
• A number of dry bulk cargo records were set during the year at the port's marine terminals. Port Newark's Norse Terminal Corporation alone handed a record 318,000 long tons in 1986.

• The East Coast Warehouse and Distribution Corporation and Safeway Trucking Corporation, the largest public warehouse at Port Newark/Elizabeth, completed construction on a new 350,000 square foot temperature-controlled warehouse for storage and distribution of food products such as imported candy and hams.

• The designation of the entire Port Newark/Elizabeth Marine Terminal complex as Foreign Trade Zone No. 49 continued to be a major factor in attracting and keeping business in the Port of New York and New Jersey. In December 1986, Cargill opened the port's second modern bulk orange juice tank storage and distribution facility there, with expectations of handling an annual 60,000 tons of frozen orange juice concentrate from Brazil. Earlier in the year, the Linden N.J. General Motors plant became a subzone of FTZ 49, enabling it to benefit from deferred and reduced duty payments on auto parts. The plant employs some 4,000 people.

• During the year, the second construction phase of the Red Hook Container Terminal was completed with all components, including the new container crane, in operation by the end of September.

• In 1986, the design was completed and construction began on a refrigerated, modern display fish auction space at the Fishport, located at Brooklyn's Erie Basin-Port Authority Marine Terminal. Pier renewal and tenant building reconstruction also began, and $15 million worth of infrastructure work was completed. Fishport is expected to be in full operation by late 1987.



Giant container crane at
Elizabeth-Port Authority Marine Terminal
makes light work of hatch cover
it has just off-loaded from berthed containership.

Another big dish goes up in antenna "farm" which forms satellite communications core of P.A.'s Teleport on Staten Island.

ECONOMIC DEVELOPMENT AND WORLD TRADE: BUILDING THE REGION'S ECONOMY

Promoting and protecting the commerce of the New York-New Jersey Port has been a Port Authority responsibility since the agency was young. A more recent agency mission has been to attract new private industrial and commercial investment, and jobs, to those still-distressed urban areas where many of the Port Authority's facilities are located. Substantial progress was made in furthering both goals in 1986.

Economic Development Advances

The Port Authority moved forward in 1986 on its specific commitments to the regional economy:

• Bathgate Industrial Park in the South Bronx made substantial gains during the year. In July, a computer hardware manufacturer became the park's seventh tenant and an eighth, a manufacturer of non-toxic pest controls, signed a lease in September to cover construction by the Port Authority of a 24,000-square-foot plant. In addition, work began on a new 68,000-square-foot industrial building and neared completion on Bathgate's Business Assistance Center, built to house support services for tenants and community businesses. By year's end, Bathgate tenants were employing some 1,200 workers.

• Three new tenants—a Japanese rail car manufacturer, a high-tech optical firm and a manufacturer of transit-related components—began operations at the Industrial Park in Yonkers, bringing the count to 15 businesses employing 650 people. The largest of the new firms is Nissho Iwai American Corporation, which is producing the new generation of rail cars for PATH. In addition, in November, the agency's Board of Commissioners approved an increase of $25.7 million for necessary capital improvements to the facility—$5.1 million of which was contributed from funds made available for New York projects pursuant to the Governors' Bistate Agreement of June 1983.

• In December, the Board approved an agreement under which a large New Jersey manufacturer of lamps and lampshades would occupy a new plant to be built for it at the Industrial Park in Elizabeth. The firm cancelled its plans to move south and will instead bring 500 jobs to Elizabeth upon completion of its building in 1988.

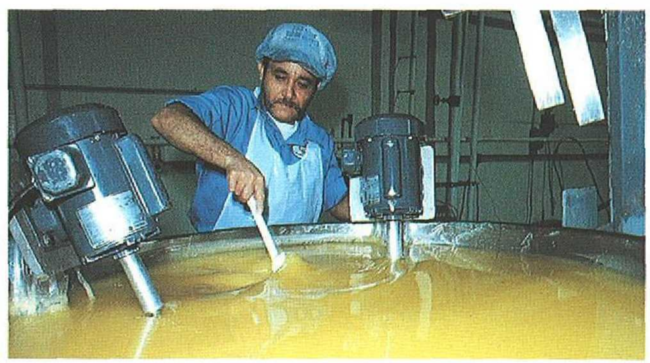
• In November, the Board authorized $15 million—$5 million of which was contributed from funds made available for New Jersey projects pursuant to the Governors' Bistate Agreement of June 1983—for the creation of an industrial park, the Port Authority's fifth, to cover six blocks of Newark's Clinton Hill section. The new Newark South Ward Industrial Park will be developed in cooperation with the City of Newark, the Newark Economic Development Corporation, and the private sector.

• All agreements covering the agency's proposed Essex County Resource Recovery facility in New Jersey were executed in time for the county to take its formal service contract with the Port Authority to the state's regulatory agencies for review in July. If the agencies give the projects a green light, construction could begin in mid-1987.

• Negotiations continued on two waterfront development projects: one in Hoboken, New Jersey, and the other in the Hunter's Point section of Queens, New York. Meanwhile, under bistate legislation passed in 1984, the Port Authority proceeded with preparatory designs. For the Hoboken project, a mixed-use development of office, retail, residential and open space, engineering designs were completed for a multi-modal Hudson Transportation Center and all necessary clearances were obtained for removal of Pier B under the federally sponsored New York Harbor Collection and Removal of Drift Project. For Hunter's Point, the Port Authority completed a first alternative master plan design envisioning a 10 million-square-foot mixed-use complex of residential, office, retail, hotel and open recreational space.

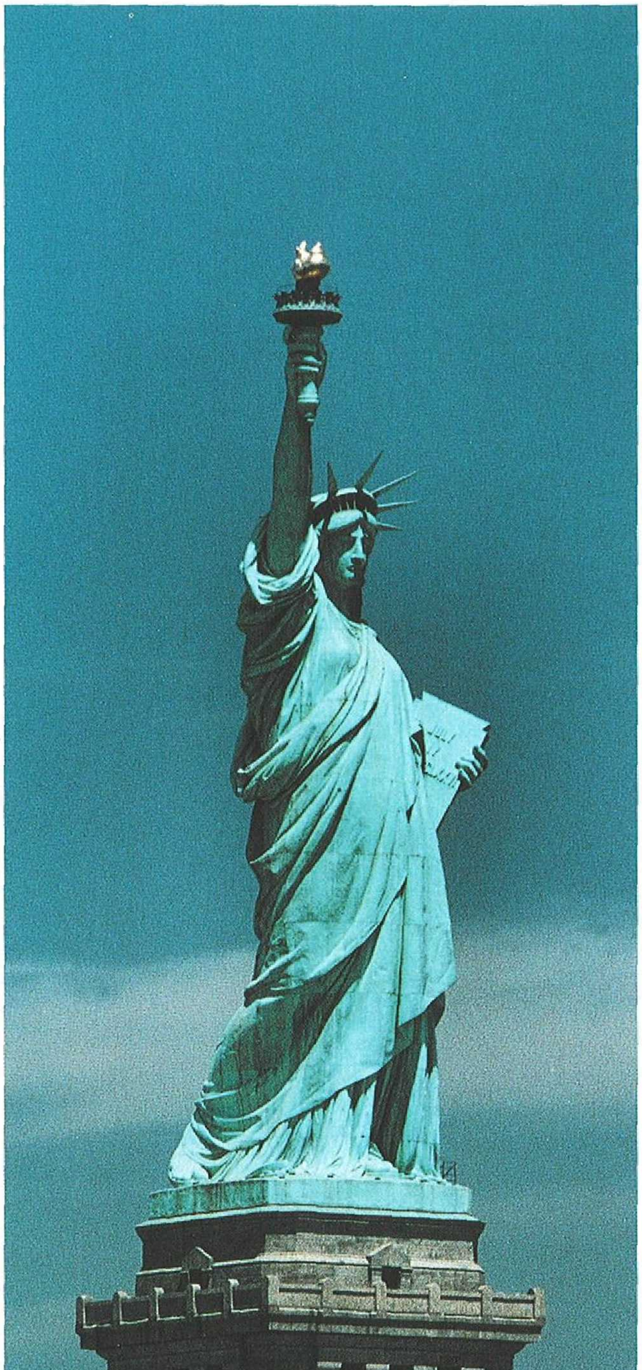
• Agency staff continued to work with the NYC Department of City Planning and the City's Public Development Corporation to identify potential developer interest in the Port Authority Brooklyn Marine Terminal Piers 1–6. From this collaboration, design guidelines will be identified to reflect the development capacity of the piers; at the same time the unique zoning constraints imposed by the scenic view plane over the pier area will be respected.

• In April, the Thacker Organization, one of the nation's largest minority-owned construction management firms, was selected to oversee construction of the Newark Legal and Communications Center. Subsequently, the minority-



Employee of Clay Park Labs, Inc., in Bathgate Industrial Park checks consistency of product before it is piped to assembly line for bottling.

November saw Elizabeth Ruarty of Bethel Park, Pa., become 15-millionth visitor to WTC Observation Deck. With her here is proud Deck manager.



Reconstructed Statue of Liberty glows in all her 100-year glory.

Liberty Weekend 1986 was magic in NY-NJ Port. Millions thronged Lower Manhattan and crowded waterfront viewing posts on both sides of harbor to salute Miss Liberty's 100th birthday and celebrate Harbor Festival 1986. Festivities included 3rd annual Liberty Cup yacht races sponsored by Port Authority (top photo), Tall Ships and Int'l Naval Review, fireworks, street fairs—and virtually no incidents anywhere to mar the joy.

owned City National Bank of New Jersey was chosen to handle the Thacker expenditures. Construction began early in May on this 20-story office building intended to anchor the legal profession to the City of Newark and to spur commercial development in the area.

• Teleport, the Port Authority's satellite communications center on Staten Island, marked completion of its first two buildings at dedication ceremonies in September. Designed to function as a control center, the new Telecenter Building will also house the computerized data center of Japan's largest security and investment banking firm. The first building, Teleport I, was constructed by a private developer as the facility's first "intelligent" multi-tenant office building. By year's end, five earth stations were in operation and another five were on the way.

Promoting World Trade

1986 was a growth year for XPORT, the Port Authority-sponsored export trading company created to help the region's small manufacturing concerns break into the export field. In April, XPORT became the first public agency-sponsored trading company to receive the President's "E" (for Excellence) Award in recognition of its contributions to the increase of U.S. trade abroad. By year's end, XPORT had helped local firms sell $13 million worth of New Jersey and New York products abroad—more than six times its 1985 sales performance.

Among other 1986 international trade-related events and endeavors:

- A Port Authority-sponsored trade mission to the Dominican Republic for New York and New Jersey food processors and packagers took place in June. Mission participants had closed on substantial sales by year's end and were anticipating in excess of $1 million more in sales still to come.
- A second sponsored trade mission took regional computer software producers to Vancouver and Calgary in Canada. Held in conjunction with the World Trade Centers Association's general assembly in October, the mission was the first this agency had organized for the region's service sector.

And at the World Trade Center during the year:

- The Trade Center proper was 96 percent rented throughout 1986, its sixth consecutive year of near-full occupancy. The complex's performance bettered even that of the strong downtown Manhattan office market as a whole, which could boast a high 90.2 percent full occupancy rate by year's end.
- Topping-off ceremonies in July marked completion of the steel work for Seven World Trade Center, the 47-story office building being developed and financed by Silverstein Associates in cooperation with the Port Authority. The building, the last component of the Trade Center complex, is scheduled for occupancy in 1988.
- Within the Twin Towers, work continued on the installation of lobby vestibules as a part of a facility improvement program. Tower Two's vestibule to Liberty Street was finished in November. Construction of a Four World Trade Center vestibule was scheduled to begin in 1987.
- The World Trade Institute, educational arm of the World Trade Center, added new programs in 1986, with strong emphasis on international taxation issues. Some 7,000 executives from the international business community attended seminars and evening courses, while 160 senior managers from 50 developing countries took part in the Institute's international training programs.
- A record 1.7 million people from around the world visited the Trade Center's Observation Deck during the year.

THE PORT AUTHORITY AND ITS NEIGHBORS

By any measure, geographic or economic, the Port District is one region, indivisible—and its prosperity is the business of all its components, be they city, county, industry or individual.

Certainly promoting the region's economy is among the primary businesses of the Port Authority. And certainly the region's people reap the benefits of that commitment when they use the Port Authority's bridges, tunnels, airports, terminals and other facilities.

This region's 16 million residents are also the agency's neighbors, who live and work in the communities surrounding its facilities. And those facilities have an impact on people's lives—a complexity of impacts, actually, that can range from creating new jobs and industries or improving their lot as commuters to causing severe inconvenience while the agency builds new structures, or renovates and expands outmoded ones for the greater, albeit future, public good.

The Port Authority takes seriously its commitment to the health of the region's economy, and it is no less serious about the impact of its actions on its neighbors. Its capital expenditures on behalf of the region are a matter of record. Less well known is its substantial expenditure of human resources: a highly diversified career staff, fanning out into the port district communities to inform people and to heed the words of citizen groups, and to work with elected officials and local leaders when they voice concerns over Port Authority projects and proposals.

While not a social service agency, the Port Authority is also committed to contributing to the well-being of its neighbors insofar as its legislated mandate permits. In coopera-

Young artists from local public school pose with teacher at opening of student art show at GWB Bus Station. Bags hold gifts from facility manager.

Fifth and sixth-graders from Little Red School House in Greenwich Village contribute art show to newly renovated and reopened PATH station in Village.

tion with other agencies, it continues to address community needs and develop strategies to cope with them. In prior years and during 1986, the Port Authority has expended both human and dollar capital on programs that include the following:

• Job training programs—part of the agency's strategy to prepare local workers with limited skills for permanent jobs at Port Authority facilities—continued to progress, particularly at the Bathgate Industrial Park and the Industrial Park in Yonkers. The Port Authority works with community private industry councils to supply industrial park tenants with a custom-trained labor force matched to specific job requirements. On-the-job training and intensive preliminary training programs were in place at other facilities, including the World Trade Center.

• The Local Assistance Program, established in 1983, continued to provide services to older municipalities in New Jersey, the five boroughs of New York City and sections of Westchester County. Services have ranged from analyzing soil samples for a proposed construction project to helping with master plans for small downtown redevelopment. In each instance, local government and/or the private sector has acted as the principal developer and the Port Authority has provided in-house technical services. Over the past three years, the program has helped spur economic development in the region by providing technical, marketing and planning assistance on some 40 projects in 15 communities.

• Another program aimed at stimulating the local economy is the Airport Services Development Office, operating since 1984 in Queens County. The purpose of the Office is to encourage the airlines and other airport tenants to patronize local businesses. Because of the program's success, a similar office is planned for the tri-county area surrounding Newark International Airport.

• An outreach program at Manhattan's Port Authority Bus Terminal, its operation recently expanded to include the World Trade Center, provides aid to, and seeks shelter for, the homeless; the program is administered by Volunteers of America.

• Both Youth Services and Project Find have operated at the Bus Terminal for more than ten years. Project Find provides a gathering place for neighborhood senior citizens and serves some 250 of them a hot meal each day. Youth Services devotes its energies to troubled youths and runaways, using teams of Port Authority police and professional social workers to find and help these youngsters before they become lost to the streets.

• Schools, colleges, community groups and professional associations sustained a heavy demand for the agency's personnel as public speakers on a variety of regional topics, both general and specific. The Port Authority's speakers bureau, The Ambassadors, has a cadre of members who reflect a diversity of talents and expertise and who speak within the Port District upon request and without remuneration. In addition, the facilities have people who regularly talk to community groups on facility-related topics; for example, the PATH police have a long-established program of safety presentations for New Jersey school children.

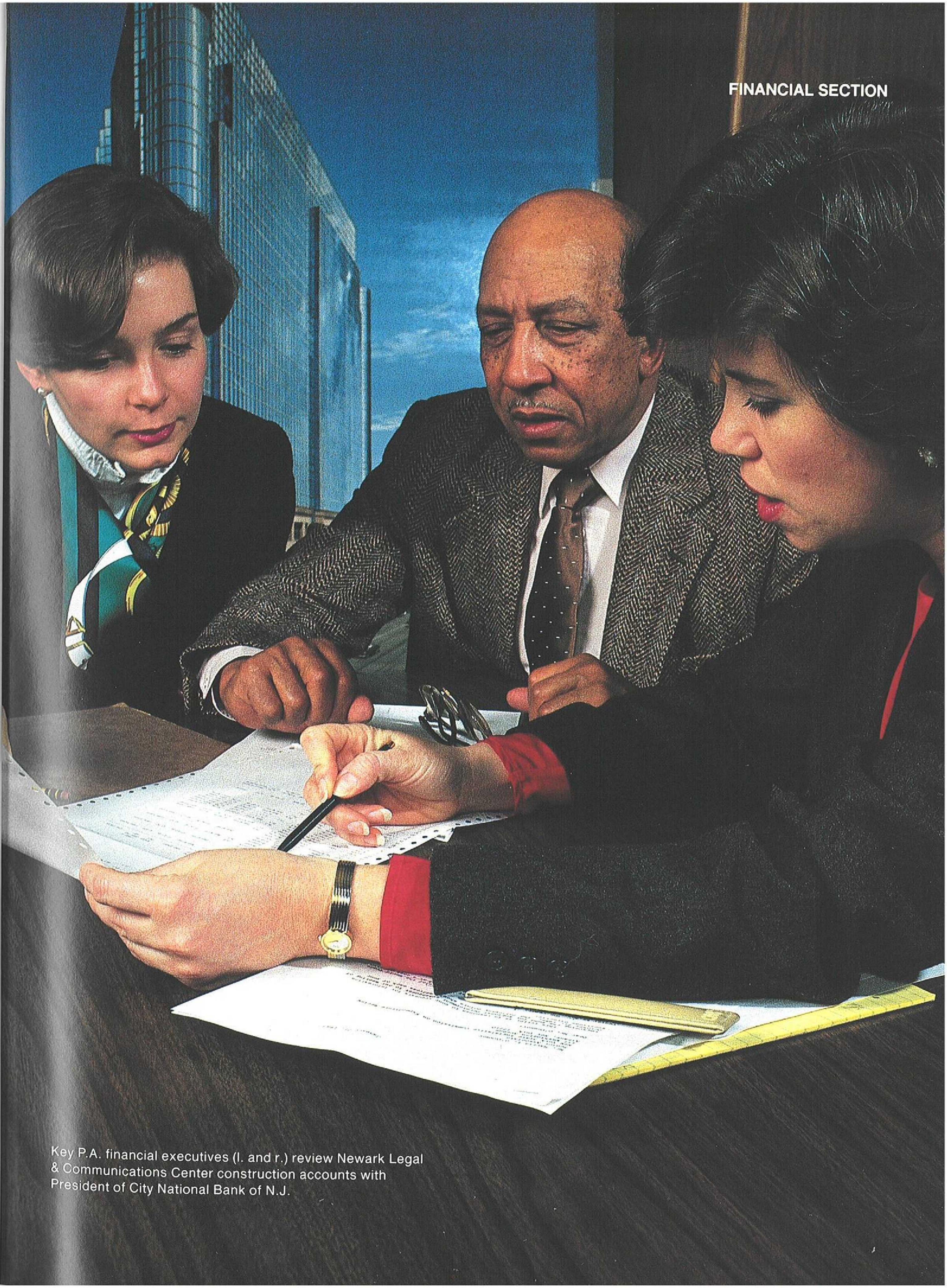
• Police and other personnel at the airports, tunnels and terminals continued to stage their traditional day-long events for special community groups, such as disabled children, senior citizens and others, to acquaint them with the facilities and to promote mutual understanding.

• Under a longstanding Port Authority program, the agency continued to lend or exchange the services of key personnel on "outside" mobility assignments to expand the individual's background, experience and exposure while assisting other agencies and organizations.

• Informally and on their own time, Port Authority people continued their tradition of volunteer participation in regional improvement, both as creative employees and as neighbors in the larger community.

Excavation for Newark Legal & Communications Center's below-ground utilities begins. Penn Station and Gateway Center loom in background.

Community organizations from both states join P.A. staff in WTC to discuss approaches to dealing with problem of region's homeless.



Key P.A. financial executives (l. and r.) review Newark Legal & Communications Center construction accounts with President of City National Bank of N.J.

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

The Comprehensive Annual Financial Report of The Port Authority of New York and New Jersey, including its subsidiary Port Authority Trans-Hudson Corporation (PATH), for the year ended December 31, 1986, is submitted herewith. This report fairly presents and fully discloses the Port Authority's financial results of operations, financial position, and changes in financial position in accordance with generally accepted accounting principles and Port Authority bond resolutions, and briefly describes basic policies and major activities undertaken during the year ended December 31, 1986. The purpose and format of this transmittal letter is to discuss the items listed below in a formal and comprehensive manner.

Reporting Entity and its Services

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

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

The Executive Director is responsible for the management of the daily operations of the agency's 33 facilities through line and staff departments and guides proposals to the point of presentation to the Board of Commissioners. The Executive Director is also responsible for implementing such proposals after presentation to and approval by the Board.

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

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

Accounting System and Budgetary Control

The Port Authority's consolidated financial statements are prepared in accordance with generally accepted accounting principles, include information on Port Authority operations by operating segment, and are prepared on a full accrual basis. Where appropriate, statements and schedules reflect amounts, including provisions for claims made against the Port Authority, based on estimates and judgments which the Port Authority believes to be sound. These financial statement presentations do not in any way change the net revenues or reserves of the Port Authority or their applications as they are defined and governed by requirements of law and the Port Authority's bond resolutions and as they are reflected in Schedules A, B and C. The Port Authority conducts its operations in accordance with such resolutions and legal requirements. Reconciliations of the Consolidated Statement of Income to Schedule A, Revenues and Reserves, and the Consolidated Statement of Financial Position to Schedule B, Assets and Liabilities, appear on page 40.

The accounts of the Port Authority Trans-Hudson Corporation (PATH) are consolidated in the accompanying financial statements. The assets and liabilities of the New York State Commuter Car Program and the Fund for Regional Development are not included in the Port Authority's financial statements since, in accordance with generally accepted accounting principles, neither meets the criteria for inclusion as part of the reporting entity (see Note F and Note I on pages 44 and 46, respectively).

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

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

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

Results of Operations

The current year's gross operating revenues totalled $1,169,586,000, an increase of $68,746,000, or 6.2 percent, over 1985. This growth is primarily attributable to higher rentals at the World Trade Center, increased vehicular parking revenues and increased service charges at LaGuardia Airport, John F. Kennedy International Airport and Newark International Airport and higher flight fee revenues at LaGuardia Airport and John F. Kennedy International Airport. Operating expenses increased by $77,977,000, or 9.1 percent, over 1985, to $937,820,000 primarily as a result of increased rent payments and payments in-lieu-of taxes. In addition, higher costs were incurred for labor, for contracted services for maintenance programs, janitorial, security and other services with respect to various facilities, for equipment and materials purchases, and for other miscellaneous expenses. In 1985, operating expenses included approximately $41,822,000 due to a one-time payment to the City of New York for retroactive payments in-lieu-of taxes for the World Trade Center and gross operating revenues included approximately $29,900,000 recoverable from World Trade Center tenants for this payment.

Cash Management

The Port Authority's long-term investments are in securities of or guaranteed by the United States Government and in Port Authority bonds. Earnings of $63,922,000 were recorded on average long-term investments of $702,756,000. These investments resulted in an average earnings rate of 9.1 percent.

Short-term investments, consisting primarily of United States Government securities and money market instruments, averaged $488,921,000 during the year. Short-term investments principally represent the investment of operating revenues and construction funds awaiting disbursement. In addition to government securities, short-term investments are also made in limited amounts of certain investment grade negotiable Certificates of Deposit, negotiable Bankers' Acceptances, Commercial Paper and, under a single limited authorization, futures contracts. Income on these investments totalled $35,049,000 or an average rate of about 7.2 percent.

Income on long-term and short-term investments decreased from 1985 by approximately $6,727,000, or 6.4 percent, primarily due to a lower interest rate environment.

Financial Position

As of December 31, 1986, the total assets of the Port Authority were $5,290,422,000, an increase of $244,114,000, or 4.8 percent over last year. The investment in Facilities, at Cost, rose by $444,811,000 to $5,387,969,000. This increase is partially due to the additional investment of $147,563,000 in ground and mass transportation facilities, with PATH's rail car and safety projects, the Holland Tunnel ceiling project, and the Bus Terminal extension and modernization project accounting for a major portion of the increase. Investment in other facilities rose by $297,248,000, led by air terminals which increased by $196,598,000, primarily as a result of Terminal C construction at Newark International Airport and various improvements and rehabilitations to roadways, taxiways and buildings at LaGuardia Airport and John F. Kennedy International Airport. Continued construction at the Teleport and at the Newark Legal and Communications Center and expenditures at the World Trade Center were contributing factors to a $34,341,000 increase in investment in World Trade Facilities. Investment in the remaining facilities increased by $66,309,000, mainly due to expenditures for the Elizabeth-Port Authority Marine Terminal and Port Newark in New Jersey, the Oak Point Rail Freight Link and Fishport Projects in New York, as well as the Industrial Parks in The Bronx, N.Y., Yonkers, N.Y. and Elizabeth, N.J.

Debt Administration

The Port Authority has issued over $6,554,718,000 in obligations since its creation, of which $2,873,565,000 was outstanding as of December 31, 1986. The Port Authority has issued $4,163,650,000 of Consolidated Bonds and Notes (exclusive of refundings) since 1952, of which $2,759,825,000 was outstanding as of December 31, 1986. In 1986, the Port Authority issued two series of Consolidated Bonds, both maturing in 2021, totalling $200,000,000. The first, Consolidated Bonds, Fifty-sixth Series, in a principal amount of $100,000,000, was issued at an interest rate of 7⅛ percent per annum and the second, Consolidated Bonds, Fifty-seventh Series, in a principal amount of $100,000,000, at an interest rate of 6¾ percent per annum. The proceeds of the Consolidated Bonds, Fifty-seventh Series were used to refund $98,568,000 of Commercial Paper Notes. As of February 12, 1987, the Board of Commissioners acted to establish and authorize the issuance and future sale of Consolidated Bonds, Series Fifty E and Fifty-one E, for various purposes including the refunding, by exchange or otherwise, Consolidated Bonds, Fiftieth Series and Fifty-first Series (see Note E on page 43).

Consolidated Bonds (which includes Consolidated Notes) are a direct and general obligation of the Port

Authority and its full faith and credit are pledged to the payment of debt service thereon. All Consolidated Bonds, including any which may hereafter be issued, are also equally and ratably secured by a pledge of the net revenues of all existing facilities and any additional facilities which may hereafter be financed or refinanced in whole or in part through the medium of Consolidated Bonds.

At the time of the adoption of the Consolidated Bond Resolution in 1952, the Port Authority had outstanding certain General and Refunding, Air Terminal and Marine Terminal Bonds. As of March 1, 1986, the Port Authority had fully satisfied all debt service requirements on these bonds, the bonds have matured and the Special, Air Terminal and Marine Terminal Reserve Funds in Trust established in 1970 with respect to these bonds no longer exist. In the Consolidated Bond Resolution, the Port Authority covenanted that no additional General and Refunding, Air Terminal or Marine Terminal Bonds would be issued.

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

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

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

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

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

Interest recorded on the Port Authority's debt charged to operations and reserves in 1986, pursuant to bond resolutions, totalled $116,987,000. Bonded debt repayment through operations and reserves amounted to $55,992,000 par value of long-term bonds retired through mandatory sinking fund and maturity payments. Repayment of commercial paper obligations not refunded by Commercial Paper Notes or Consolidated Bonds amounted to $13,178,000. Total debt service charged to net revenues and reserves, therefore, was $186,157,000, which does not include amounts relating to New York State Guaranteed Commuter Car Bonds and Special Project Bonds. Outstanding bonds and notes increased during the year by $144,008,000 to a total of $2,856,325,000. At December 31, 1986, commercial paper obligations outstanding, including $2,310,000 accumulated under the bank line of credit, totalled $17,240,000. During the year, net assets increased by 5.8 percent to a total of $4,136,241,000, which represents approximately 70 percent of the amount invested in Port Authority facilities.

Reserve Funds

At year-end 1986, the General Reserve Fund balance was $287,357,000 and met the prescribed statutory amount of 10 percent of all outstanding bonds legal for investment as defined in the General Reserve Fund statutes. On December 31, 1986, the Consolidated Bond Reserve Fund had a balance of $442,987,000, after application of $13,178,000 for the repayment of commercial paper obligations, $80,656,000 to direct investment in facilities, and $4,260,000 to self-insurance. The sum of these Reserve Funds was $730,344,000, which exceeded the next two years' mandatory debt service on bonds secured by a pledge of the General Reserve Fund.

Bond covenants require that the Reserve Funds be maintained in cash or invested in certain government securities. At year-end, $723,626,000 was invested in such securities and $6,718,000 was maintained as cash.

Independent Audit

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

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to The Port Authority of New York and New Jersey for its comprehensive annual financial report for the fiscal year ended December 31, 1985.

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

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

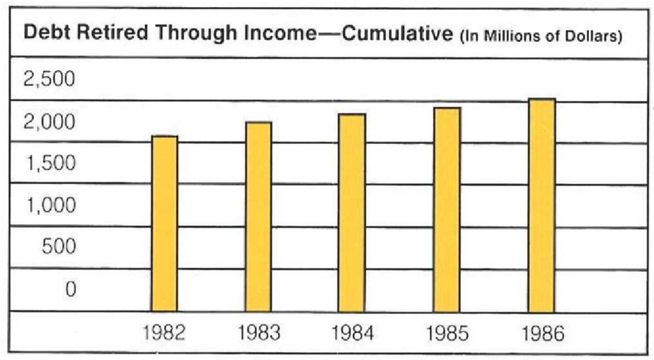
Executive Director

Chief Financial Officer

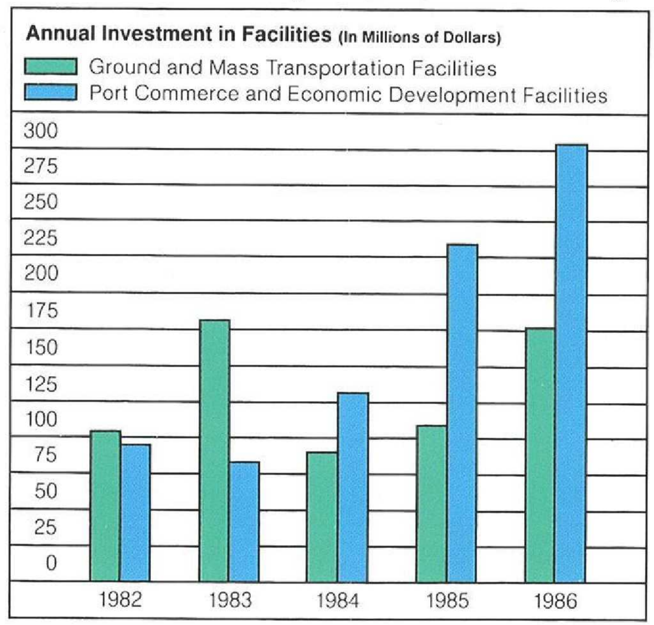
February 27, 1987

Selected Financial Information

Highlights	1986	1985
	(In Thousands)	
Gross Operating Revenues	**$1,170,000**	$1,101,000
Net Operating Revenues	**232,000**	241,000
Net Revenues Available for Debt Service and Reserves	**312,000**	333,000
Debt Service Charged to Revenues and Reserves	**186,000**	215,000
Cumulative Invested in Facilities	**5,877,000**	5,396,000
Bonded Debt Outstanding, in accordance with Port Authority bond resolutions	**2,856,000**	2,712,000
General Reserve Fund	**287,000**	271,000
Consolidated Bond Reserve Fund	**443,000**	417,000
Special Reserve Fund in Trust	—	1,000



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



Cumulative Port Authority investment totaled approximately $1.5 billion over the past five years. For the same period, outstanding debt increased by approximately $700 million.

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Touche Ross

November 26, 1986

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

We have made a study and evaluation of the system of internal accounting control of The Port Authority of New York and New Jersey in effect at October 31, 1986. 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, 1986.

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

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

In our opinion, the Port Authority's system of internal accounting control in effect at October 31, 1986, taken as a whole, was sufficient to meet the objectives stated above insofar as those objectives pertain to the prevention or detection of errors or irregularities in amounts that would be material in relation to the Port Authority's financial statements.

Touche Ross & Co.

Certified Public Accountants

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February 27, 1987

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

We have examined the consolidated statements of financial position of The Port Authority of New York and New Jersey and its subsidiary, Port Authority Trans-Hudson Corporation, as of December 31, 1986 and 1985, and the related consolidated statements of income, changes in net assets and changes in financial position for the years then ended. We also have examined the financial information included in Schedules A through F. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements referred to above present fairly the financial position of The Port Authority of New York and New Jersey and its subsidiary as of December 31, 1986 and 1985, and the results of their operations and the changes in their financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis. The accompanying Schedules A through C have been prepared pursuant to the requirements of law and Port Authority bond resolutions. The accounting practices followed in the preparation of these schedules differ in some respects from generally accepted accounting principles as described in the Note A-8. In our opinion, Schedules A, B and C present fairly the consolidated assets and liabilities of the Authority at December 31, 1986 and the consolidated revenues and reserves for the year then ended in conformity with the accounting principles described in Note A-8 applied on a basis consistent with that of the preceding year.

Also, in our opinion, the supplementary information presented in Schedule D and the selected financial data for each of the years in the six-year period ended December 31, 1986 appearing in Schedule E, are fairly stated in all material respects in relation to the financial statements taken as a whole. In our opinion, Schedule F presents fairly the assets and liabilities of the New York State Commuter Car Program at December 31, 1986 and 1985, in conformity with the basis of accounting described therein, applied on a consistent basis.

Touche Ross & Co.

Certified Public Accountants

Touche Ross International

Consolidated Statement of Income

	Year Ended December 31, 1986	1985
	(In Thousands)	
Gross Operating Revenues (Note L)	**$1,169,586**	$1,100,840
Operating Expenses:		
Employee compensation, including benefits	**433,840**	402,997
Materials, equipment, supplies and contract services	**227,822**	190,378
Rents (primarily related to airport leases) and amounts in-lieu-of taxes	**132,343**	144,487
Heat, light and power	**65,131**	66,703
Other (Note K-5)	**78,684**	55,278
Total Operating Expenses	**937,820**	859,843
Depreciation on Facilities (Note B)	**127,877**	120,393
Amortization of Costs for Bus Programs (Note K-1)	**28,850**	38,938
Income from Operations	**75,039**	81,666
Financial Income and Expense:		
Income on investments	**75,283**	83,729
Gain on purchase of Port Authority bonds in connection with current sinking fund requirements	**1,489**	1,226
Interest expense	**(115,272)**	(108,127)
Income Before Extraordinary Item	**36,539**	58,494
Extraordinary Item		
Gain on purchase of Port Authority bonds in connection with future sinking fund requirements	**2,082**	4,851
Net Income	**$ 38,621**	$ 63,345

Consolidated Statement of Changes in Net Assets

	Year Ended December 31, 1986	1985
	(In Thousands)	
Balance at January 1	**$1,954,498**	$1,868,547
Net Income	**38,621**	63,345
Government Contributions in Aid of Construction (Note G)	**31,699**	22,606
Balance at December 31	**$2,024,818**	$1,954,498

See Notes to Consolidated Financial Statements.

Consolidated Statement of Financial Position

	December 31, 1986	December 31, 1985
	(In Thousands)	
Assets		
Facilities, at Cost (Note B)	**$5,387,969**	$4,943,158
Less Accumulated Depreciation on Facilities	**1,870,263**	1,750,052
Facilities, Net	**3,517,706**	3,193,106
Investments (Note C)	**1,118,350**	1,265,253
Cash (Note C)	**20,232**	21,202
Accounts Receivable (net of Allowance for Doubtful Accounts of $14,516,000 in 1986 and $7,319,000 in 1985)	**113,865**	80,516
Unamortized Costs for Bus Programs	**247,642**	248,691
Other Assets	**272,627**	237,540
Total Assets	**5,290,422**	5,046,308
Liabilities		
Bonds and Notes (Note D)	**2,804,840**	2,655,466
Commercial Paper Obligations (Note E)	**17,240**	37,870
Accounts Payable	**188,539**	177,830
Accrued Pension, Retirement and Other Employee Benefits (Note J)	**123,550**	112,579
Accrued Interest and Other Liabilities	**124,691**	98,423
Deferred Income	**6,744**	9,642
Total Liabilities	**3,265,604**	3,091,810
Net Assets	**$2,024,818**	$1,954,498
Net Assets are Composed of:		
Net Income Invested in Port Authority Facilities, Operations and Reserves	**$1,833,314**	$1,785,088
Government Contributions in Aid of Construction (Note G)	**191,504**	169,410
Net Assets	**$2,024,818**	$1,954,498

See Notes to Consolidated Financial Statements.

Consolidated Statement of Changes in Financial Position

	1986	1985
	Year Ended December 31, (In Thousands)	
Funds Provided from:		
Net Income Before Extraordinary Item	$ 36,539	$ 58,494
Extraordinary Item	2,082	4,851
Net Income	38,621	63,345
Add– Income charges not affecting funds in the period:		
Depreciation on facilities	127,877	120,393
Amortization of costs for Bus Programs	28,850	38,938
Amortization of certain other assets	16,961	12,443
Funds provided by operations	212,309	235,119
Bonds, notes and commercial paper obligations	192,549	493,834
Government contributions in aid of construction	31,699	22,606
Decrease in accounts receivable	—	1,201
Increase in accounts payable, accrued expenses and other liabilities	47,948	122,808
Total Funds Provided	484,505	875,568
Funds Applied to:		
Cost of facilities	452,478	345,702
Retirement or repayment of bonds, notes and commercial paper obligations	63,804	110,061
Cost for Bus Programs	27,801	16
Other net changes in other assets and deferred credits	54,946	92,263
Increase in accounts receivable	33,349	—
Total Funds Applied	632,378	548,042
Net Increase (Decrease) in Cash and Investments	($147,873)	$327,526

See Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

Note A–Summary of Significant Accounting Policies:

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

2. The financial statements and schedules include the accounts of the Port Authority and its wholly-owned subsidiary, Port Authority Trans-Hudson Corporation (PATH), consistent with the criteria set forth in the National Council of Governmental Accounting (NCGA) Statement No. 3, Defining the Governmental Reporting Entity. As more fully described in Note F-5 and Note I, the assets and liabilities of the New York State Commuter Car Program and the Fund for Regional Development are not included in the Port Authority's financial statements, since neither meet the criteria for inclusion set forth in NCGA Statement No. 3 (see Note F-5, Note I 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. Facility capital costs include net interest expense incurred from the date of issuance of the debt to finance construction until completion of the capital project. (See Note B and Note G.)

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

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

5. Depreciation is computed on the straight-line method based on estimated useful lives of the related assets including those financed by government contributions (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. (See Note B.)

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

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

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

The Port Authority's bond resolutions provide that net operating revenues shall not include an allowance for depreciation on facilities. Thus, depreciation is not a factor in determining the net revenues and the reserves of the Port Authority or their application as provided in the Port Authority's bond resolutions. Instead, facility capital costs are provided for through deductions from net revenues and reserves of amounts equal to principal payments on debt or 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 Programs are included in Invested in Facilities in accordance with Port Authority bond resolutions.

Port Authority bonds purchased by the Port Authority remain outstanding and are included in Investments and Bonds and Notes until retirement. Interest expense and interest earnings relating to such Port Authority bonds purchased are included as interest on bonds and notes and income on investments.

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

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

Consolidated Statement of Income to Schedule A, Revenues and Reserves

	Year Ended December 31, 1986	1985
	(In Thousands)	
Net Income reported on Consolidated Statement of Income	$ 38,621	$ 63,345
Add: Depreciation on Facilities	127,877	120,393
Amortization of Costs for Bus Programs	28,850	38,938
Sub-Total	195,348	222,676
Less: Direct Investment in Facilities	80,656	87,359
Appropriations for Self-Insurance	4,260	4,063
Serial Maturities and Sinking Fund Retirements	55,992	49,347
Repayment of Commercial Paper Obligations	13,178	55,964
Sub-Total	154,086	196,733
Increase in Reserves reported on Schedule A, Revenues and Reserves (Pursuant to Port Authority bond resolutions)	$ 41,262	$ 25,943

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

	Year Ended December 31, 1986	1985
	(In Thousands)	
Net Assets reported on Consolidated Statement of Financial Position	$2,024,818	$1,954,498
Add: Accumulated Depreciation on Facilities	1,870,263	1,750,052
Accumulated Retirements	106,091	98,425
Cumulative Amortization of Costs for Bus Programs	135,069	106,219
Net Assets reported on Schedule B, Assets and Liabilities (Pursuant to Port Authority bond resolutions)	$4,136,241	$3,909,194

9. 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.

10. The 1985 financial statements contain certain reclassifications which have been made in order to conform to the classifications used in 1986.

Note B–Facilities:

Cost of facilities is composed of the following:

	December 31, 1986	1985
	(In Thousands)	
Completed Construction:		
Air Terminals	$1,696,182	$1,579,428
World Trade Facilities	1,079,814	1,049,714
Marine & Other Facilities	631,422	598,501
Tunnels & Bridges	711,121	657,948
Rail	328,893	272,026
Bus Terminal	226,666	226,563
	4,674,098	4,384,180
Construction in Progress	713,871	558,978
Facilities, at Cost	$5,387,969	$4,943,158

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

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

Net interest expense added to cost of facilities was $30,882,000 in 1986 and $24,810,000 in 1985.

Note C–Cash and Investments:

1. The components of cash and investments are:

	December 31, 1986 Principal Amount	Quoted Market	Book Value	December 31, 1985 Book Value
	(In Thousands)			
Cash				
Cash on hand			$ 1,184	$ 1,070
Demand Deposits			19,048	20,132
Total Cash			$ 20,232	$ 21,202
Investments				
Short-Term				
United States Treasury Bills	$ 386,170	$ 376,249	$ 376,280	$ 425,332
United States Treasury Notes	12,000	12,138	12,098	30,182
Bankers' Acceptances	—	—	—	46,845
Certificates of Deposit	—	—	—	1,608
Commercial Paper	—	—	—	24,990
Total Short-Term	$ 398,170	$ 388,387	388,378	528,957
Long-Term				
Farmers' Home Administration (Department of Agriculture) Insured Notes	$ 11,000	$ 11,129	10,998	10,997
United States Treasury Bonds and Notes	694,000	705,743	699,561	695,382
Government National Mortgage Association Participation Certificates	—	—	—	2,000
Total Long-Term	$ 705,000	$ 716,872	710,559	708,379
Liberty Circle Venture Capital Fund	$ —		—	5,000
Bonds of The Port Authority of New York and New Jersey	$ 32,284		32,284	39,749
Accrued Interest Receivable			19,413	22,917
Total Investments			1,150,634	1,305,002
Less:				
Bonds of The Port Authority of New York and New Jersey			32,284	39,749
Investments			$1,118,350	$1,265,253

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

At December 31, 1986 and 1985, the amount of cash held in demand deposits was $19,048,000 and $20,132,000, respectively. Based on an average daily balance of $7,295,000 in 1986, all but $43,000 was insured by federal depository insurance or was fully collateralized by either collateral held in the Port Authority's name by the financial institutions or their agents, or by a state mandated pool.

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

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

In addition to these instruments, the investment of up to $10,000,000 of operating funds in venture capital business projects within the Port District was authorized by the Board of Commissioners on November 8, 1984 to assist in creating new business activity within the Port District. In 1986, the Liberty Circle Venture Capital Fund, a limited partnership formed to finance such projects, was discontinued and substantially all of the original investment of $5,000,000 was returned to the Port Authority. The balance is expected to be returned in 1987 and has been reclassified in Other Assets in the Consolidated Statement of Financial Position.

Investments, including interest receivable, in various types of securities totalled $1,118,350,000 and $1,265,253,000 for the years ended December 31, 1986 and 1985, respectively. Although no investments in Bankers' Acceptances and Commercial Paper were held at year-end, investment balances in Bankers' Acceptances and Commercial Paper ranged as high as $82,000,000 and $25,000,000 during the year, respectively. When the Certificates of Deposit held at December 31, 1985 matured, no further investments of this type were made.

Note D–Bonds and Notes:

1. The components of bonds and notes are:

		December 31, 1985	Issued	Retired	December 31, 1986
			(In Thousands)		
General and Refunding Bonds					
Eleventh Series	1¼% due 1986	$ 642	$ —	$ 642	$ —
Consolidated Bonds (A)*					
Sixth Series	3% due 1986	4,200	—	4,200	—
Seventh Series	3.40% due 1986	3,500	—	3,500	—
Eighth Series	3.40% due 1987	8,000	—	3,000	5,000
Tenth Series	3¾% due 1987	6,600	—	3,000	3,600
Twelfth Series	3⅜% due 1988	8,400	—	2,800	5,600
Fourteenth Series	3⅝% due 1989	11,000	—	2,750	8,250
Sixteenth Series	4¼% due 1989	5,000	—	1,250	3,750
Nineteenth Series	3½% due 1991	10,000	—	1,500	8,500
Twentieth Series	3¼% due 1993	17,675	—	1,925	15,750
Twenty-first Series	3.40% due 1993	12,625	—	1,375	11,250
Twenty-second Series	3⅜% due 1993	12,625	—	1,375	11,250
Twenty-third Series	3⅜% due 1994	13,875	—	1,250	12,625
Twenty-fourth Series	3½% due 1994	13,875	—	1,250	12,625
Twenty-sixth Series	3½% due 1995	22,050	—	1,925	20,125
Twenty-seventh Series	3⅜% due 1995	15,250	—	1,500	13,750
Twenty-eighth Series	3⅜% due 1996	17,500	—	1,500	16,000
Twenty-ninth Series	3½% due 1996	17,500	—	1,500	16,000
Thirtieth Series	3⅝% due 1998	16,500	—	1,250	15,250
Thirty-first Series	4% due 2002	81,000	—	3,000	78,000
Thirty-second Series	5% due 2003	84,000	—	3,000	81,000
Thirty-third Series	4¾% due 2003	84,000	—	3,000	81,000
Thirty-fourth Series	5½% due 2003	93,000	—	2,000	91,000
Thirty-fifth Series	6⅝% due 2005	96,000	—	1,500	94,500
Thirty-sixth Series	6.40% due 2005	48,000	—	750	47,250
Thirty-seventh Series	6% due 2006	97,000	—	1,000	96,000
Thirty-eighth Series	5⅜% due 2006	97,000	—	1,000	96,000
Thirty-ninth Series	5.80% due 2007	147,000	—	1,500	145,500
Fortieth Series	6% due 2008	98,500	—	500	98,000
Forty-first Series	5½% due 2008	98,500	—	500	98,000
Forty-second Series	8.20% due 2011	100,000	—	500	99,500
Forty-third Series	7% due 2011	50,000	—	250	49,750
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
Forty-ninth Series	10¼% due 2017	100,000	—	—	100,000
Fiftieth Series	10⅛% due 2017	100,000	—	—	100,000
Fifty-first Series	11% due 2019	100,000	—	—	100,000
Fifty-second Series (B)	9% due 2014	100,000	—	—	100,000
Fifty-third Series	8.70% due 2020	100,000	—	—	100,000
Fifty-fourth Series (C)	7% due 2020	100,000	—	—	100,000
Fifty-fifth Series (D)	6¾% due 2020	200,000	—	—	200,000
Fifty-sixth Series	7⅛% due 2021	—	100,000	—	100,000
Fifty-seventh Series	6¾% due 2021	—	100,000	—	100,000
		2,515,175	200,000	55,350	2,659,825
Consolidated Notes (A)					
Series HH	7¾% due June 1, 1987	100,000	—	—	100,000
Special Project Bonds (E)					
Series 1, Delta Air Lines, Inc. Project:					
First Installment	10½% due 2002	10,015	—	—	10,015
Second Installment	10½% due 2008	86,485	—	—	86,485
		96,500	—	—	96,500
Total Bonds and Notes in accordance with Port Authority bond resolutions		2,712,317	$200,000	$55,992	2,856,325
Less: Amortized cost of Port Authority bonds purchased by the Port Authority		39,749			32,284
Unamortized discount		17,102			19,201
Bonds and Notes		$2,655,466			$2,804,840

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

2. As noted in D-1.

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

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

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

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

(E) Each series of Special Project Bonds is to be secured solely by a mortgage by the Port Authority of facility rental as set forth in a lease with respect to a project to be financed with the proceeds of bonds, by a mortgage by the lessee of its leasehold interests under the lease and by a security interest granted by the lessee to the Port Authority and mortgaged by the Port Authority in certain items of the lessee's personal property to be located at the project, and such other security in addition to the foregoing as may be required by the Port Authority from time to time as appropriate to the particular project. Consistent therewith, Delta Air Lines has also agreed that it shall pay the debt service on the Series 1 Bonds as a separate and independent covenant from its obligation to pay facility rental. (See Note F-4.)

3. Five-year amortization of Bonds and Notes (see Note D-1) outstanding on December 31, 1986 is:

Year Ending December 31:	Principal (In Thousands)
1987	$155,132
1988	52,607
1989	53,819
1990	56,299
1991	59,653
Total	$377,510

Note E–Financing:

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

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

In accordance with the Port Authority Commercial Paper Resolution and the agreements entered into thereunder, the payment of the principal of and interest on Commercial Paper Notes, not paid by subsequently issued Commercial Paper Notes, and advances under the stand-by credit facility and under the line of credit, are to be special obligations of the Port Authority payable from the proceeds of obligations issued for such purpose, including Consolidated Bonds issued in whole or in part for such purpose, or from net revenues (as defined in the Commercial Paper Resolution) deposited to the Port Authority's Consolidated Bond Reserve Fund and remaining after certain applications authorized by the Consolidated Bond Resolution, and in the event such proceeds or net revenues are insufficient therefore, from other moneys legally available for such payments when due. Payment of the principal of and interest on these special obligations is subject in all respects to the payment of debt service on Consolidated Bonds, as required by the applicable provisions of the Port Authority's bond resolutions, to the payment into the General Reserve Fund of the amount necessary to maintain such Fund at the amount specified in the General Reserve Fund statutes, to the payment of debt service on Limited Obligation Variable Rate Demand Bonds, if any, as required by the applicable provisions of the resolution establishing such issue, and to applications to purposes authorized by the Consolidated Bond Resolution.

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

Commercial paper obligations outstanding at December 31, 1985, including $550,000 accumulated under the bank line of credit, amounted to $37,870,000. During the period January 1, 1986 through December 31, 1986, sales of Commercial Paper Notes, exclusive of refundings, totalled $89,355,000. In 1986, Commercial Paper Notes amounting to $111,745,000 were repaid, of which $98,568,000 were refunded with proceeds of the Consolidated Bonds, Fifty-seventh Series. At December 31, 1986, commercial paper obligations outstanding, including $2,310,000 accumulated under the bank line of credit, totalled $17,240,000. As of February 27, 1987, commercial paper obligations outstanding totalled $18,815,000.

2. As of February 12, 1987, the Board of Commissioners had acted to establish and authorize the issuance, and authorize the future sale by the Committee on Finance, of the following series of Consolidated Bonds and Notes for various purposes, including, in the case of Series Fifty E and Series Fifty-one E, the refunding, directly or by offers to exchange, or otherwise, Consolidated Bonds, Fiftieth Series and Fifty-first Series, respectively.

Series	Authorization Expires	Maximum Interest Rate Per Annum	Due Date	Authorized Amount
50th E (Bonds)	December 1, 1992	15%	December 1, 2017	$100,000,000
51st E (Bonds)	June 1, 1994	15%	June 1, 2019	100,000,000
58th (Bonds)	June 30, 1987	15%	April 1, 2022	200,000,000
KK (Notes)	June 30, 1987	12%	July 15, 1988	100,000,000
LL (Notes)	June 30, 1987	12%	January 15, 1989	100,000,000
MM (Notes)	June 30, 1987	12%	July 15, 1989	100,000,000

The maximum aggregate principal amount of Notes of these series which may be sold is $200,000,000.

3. By resolution of October 11, 1984, as amended on February 13, 1986, the Board of Commissioners established and authorized a series of special limited obligations known as the "Bank Loan of 1986", for various purposes, in an aggregate principal amount of up to $100,000,000, at a maximum interest rate per annum of 12 percent. This authorization expires June 30, 1987.

4. By resolution of November 14, 1985, as amended on February 13, 1986, the Board of Commissioners established and authorized the issuance, and authorized the sale by the Committee on Finance, of Port Authority Limited Obligation Variable Rate Demand Bonds, Series 1986, Due 2016, in an aggregate principal amount of up to $200,000,000 for purposes of capital expenditures in connection with facilities of the Port Authority. This authorization expires on June 30, 1987.

5. By resolution of April 11, 1985, as amended on July 11, 1985 and on April 10, 1986, the Board of Commissioners authorized a program of lease-financing transactions to be known as the "Port Authority Operating Equipment-Lease Financing Program" to facilitate the purchase of portions of operating equipment for use at the Port Authority's facilities (see Note A-7), with the aggregate principal amount financed at any one time not to exceed $25,000,000. The arrangement with the initial lessor-investor provides for a variable interest rate on the lease transactions equal to 60 percent of the Bank of America's reference rate for the initial lease transaction and 58 percent of such reference rate on all subsequent transactions, with each lease to extend for the useful life of the equipment, title to which is to be held by the Port Authority. On August 1, 1985, the closing for the Master Financing Lease with the initial lessor-investor was held and an initial deposit of $2,500,000 has been made by the lessor-investor. As of December 31, 1986, the aggregate principal amount of all transactions under the program was $10,000,000.

Note F–Reserves:

1. The General Reserve Fund statutes provide for the Port Authority to maintain the General Reserve Fund in an amount equal to at least 10 percent of outstanding bonds legal for investment as defined in the statutes, except for New York State Guaranteed Commuter Car Bonds described in Note F-5. At December 31, 1986, the General Reserve Fund balance was $287,357,000 and met the prescribed statutory amount. The Port Authority has established the policy of maintaining total reserve funds in an amount equal to at least the next two years' debt service on outstanding debt secured by a pledge of the General Reserve Fund. (See Note C-3.)

At December 31, 1986, the Port Authority met the requirements of the Consolidated Bond Resolution to maintain total reserve funds in cash and specified marketable securities.

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

3. At the time of the adoption of the Consolidated Bond Resolution in 1952, the Port Authority had outstanding certain General and Refunding, Air Terminal and Marine Terminal Bonds. The Port Authority has fully satisfied, when due, as scheduled, all debt service requirements on all such bonds.

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

5. New York State Guaranteed Commuter Car Bonds are secured by the net revenues of the Port Authority arising out of the lease of commuter railroad cars by the Port Authority to railroads in New York. Commuter Car Bonds are not secured by any other revenues, reserves or assets of the Port Authority, are not general obligations of the Port Authority and are not secured by the full faith and credit of the Port Authority. In the event that lease revenues are not sufficient to provide for scheduled payment of principal and interest, the punctual payment of debt service is fully and unconditionally guaranteed by the State of New York. New York State Guaranteed Commuter Car Bonds outstanding at December 31, 1986 totalled $97,450,000. (See Schedule F.)

Note G–Government Contributions in Aid of Construction:

The Port Authority receives contributions in aid of construction for capital purposes from government agencies. Federal funding from the Airport Improvement and the Airport Development Aid Programs was $29,420,000 in 1986 and $20,754,000 in 1985. Federal funding through the New York City Public Development Corporation for the Bathgate Industrial Park was $2,268,000 in 1986 and $1,852,000 in 1985. Federal funding through the State of New Jersey Department of Transportation for the Exclusive Bus Lane at Lincoln Tunnel was $11,000 in 1986.

Charges representing depreciation on assets relating to government contributions were $9,605,000 in 1986 and $8,702,000 in 1985.

	December 31, 1986	December 31, 1985
	(In Thousands)	
Cumulative Government Contributions	$294,960	$263,261
Less: Accumulated Charges (depreciation on assets acquired with government contributions)	103,456	93,851
	$191,504	$169,410

Note H–Lease Commitments:

1. Gross operating revenues attributable to minimum rentals associated with operating leases amounted to approximately $352,442,000 in 1986 and approximately $311,994,000 in 1985. Gross operating revenues include rental income of $13,403,000 in 1986 and $21,400,000 in 1985 from the State of New York for office and other space in the World Trade Center, and $11,523,000 in 1986 and $7,200,000 in 1985 of rental income from the Fund for Regional Development for office and other space vacated by the State of New York (see Note I).

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

Minimum future rentals scheduled to be received on operating leases in effect on December 31, 1986 are:

Year Ending December 31:	(In Thousands)
1987	$ 316,608
1988	274,423
1989	254,459
1990	235,682
1991	209,175
Later Years	1,539,766
Total Minimum Future Rentals	$2,830,113

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

3. Property Leased From Others
Rental expenses under leases, including payments to the cities of New York, Newark and Hoboken for various air terminals, marine terminals and other facilities, aggregated $104,028,000 in 1986 and $79,967,000 in 1985. The lease terms expire at various times from 1999 to 2031 and may be renewed for additional periods. Minimum future rentals scheduled to be paid on operating leases in effect on December 31, 1986 are detailed below and additional rentals may be payable based on earnings of specified facilities under some of these leases.

Year Ending December 31:	(In Thousands)
1987	$ 21,965
1988	23,154
1989	24,531
1990	25,869
1991	26,830
Later Years	862,659
Total Minimum Future Rentals	$985,008

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

Note I–Fund For Regional Development:

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

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

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

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

As of December 31, 1986, the State of New York had vacated 1,528,861 square feet of its original lease and is expected to vacate the remaining 698,152 square feet over the next several years. The Fund, as of December 31, 1986, has signed subleases with tenants committing 46 floors in the south tower building and 22,252 square feet of sub-grade space, totalling approximately 1,828,808 square feet.

The Fund for Regional Development remitted $11,523,000 in 1986 and $7,200,000 in 1985 to the Port Authority for rental of space that had been vacated by the State of New York (see Note H-1). From time to time, the Port Authority has advanced moneys to the Fund for payment of certain of the Fund's obligations. The Port Authority expects to continue to make these advances in 1987 and 1988, and perhaps in 1989. Thereafter, it is expected that the future revenues of the Fund will be more than sufficient to repay these advances as provided in the tripartite agreement and enable the Fund to meet its obligations without Port Authority advances. The outstanding balance of advances to the Fund, as of December 31, 1986, is $43,331,000 and is included in Other Assets on the Port Authority's Consolidated Statement of Financial Position.

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

FUND FOR REGIONAL DEVELOPMENT
STATEMENT OF INCOME

December 31, 1986
(In Thousands)

Revenues	$ 24,849
Operating Expenses	21,968
Income from Operations	2,881
Financial Income	441
Financial Expense	(4,579)
Net Loss	($ 1,257)

STATEMENT OF FINANCIAL POSITION

December 31, 1986
(In Thousands)

Assets	$151,335
Liabilities	148,364
Net Assets	$ 2,971

Note J–Pension and Retirement Plans and Related Benefits:

1. 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 established by PATH. The Port Authority's contributions to the two public employees' retirement systems are based primarily on billings from these systems. PATH's contributions to the Railroad Retirement System are based on federal regulations pursuant to the Railroad Retirement Act. For the years 1986 and 1985, the Port Authority and PATH provided a total of approximately $57,007,000 and $53,222,000, 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 that 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 3 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 1986 and 1985 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, 1986, 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 less than four percent.

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

The cost of providing health care and life insurance benefits, excluding the $10,000,000 accrual for prior service costs in each year, totalled approximately $31,953,000 in 1986 and $27,815,000 in 1985. The cost of providing these benefits for retired employees, who comprise approximately 29 percent of those covered by one or more of these plans, is not separable from the cost of providing similar benefits for active employees of the Port Authority and PATH.

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

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

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

Deferred compensation plan assets of approximately $7,377,000 in 1986 and $2,300,000 in 1985 are included at market value in Other Assets and the liability to participants is included in Accrued Pension, Retirement and Other Employee Benefits.

Note K-Commitments and Certain Charges to Operations:

1. The Port Authority was authorized, pursuant to legislation effective March 1, 1979, as amended effective January 7, 1982, to allocate, subject to appropriate certifications pursuant to Port Authority bond resolutions and to bi-state legislation, up to $440,000,000 for mass transportation projects consisting of buses and other bus related facilities, with up to $220,000,000 to be allocated in each of the States of New York and New Jersey. The appropriate certifications were made by the Authority in 1979, and in May 1982. As of December 31, 1986, the Port Authority had agreed to purchase 2,806 buses and related spare parts at a cost of approximately $436,115,000 to be used under the Bus Programs in the States of New York and New Jersey. A total of 2,520 buses were delivered by that date. The remaining balance of the programs, totaling $3,885,000, is expected to be completed in accordance with schedules established at the request of the two States.

In February 1984, the New York City Transit Authority (NYCTA) removed certain of the buses in its fleet from passenger transportation service. Included among these buses are 174, provided under lease to the NYCTA pursuant to the Bus Program. During 1985, amortization of these buses was accelerated, resulting in additional expense of $9,383,000.

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

2. The PATH fare was raised to 75 cents per passenger trip effective June 3, 1984. The additional revenues generated by this and a prior PATH fare increase, together with other available Port Authority funds, are expected to be used in connection with a $200,000,000 portion of PATH's capital improvement program. The 1984 bridge and tunnel tolls increase permits the Port Authority to support a capital program of approximately $250,000,000, including a portion thereof which would enable the Port Authority to undertake the upgrading of the tunnels and bridges and their approaches.

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

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

At December 31, 1986, approximately $555,475,000 of construction was expected to be completed within the next three years pursuant to various contracts entered into by the Port Authority.

Capital expenditures during the year 1987 are anticipated to be approximately $729,902,000, including a portion of the allocations related to the contracts and programs described above as well as the other ongoing capital construction programs of the Port Authority.

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

5. Other expenses of $78,684,000 in 1986 and $55,278,000 in 1985 include amounts for insurance, telephone, payment of interest on Special Project Bonds, and certain other operating, development and administrative expenses.

6. Under the agreements between the City of New York and the Port Authority with respect to the World Trade Center, after the World Trade Center space becomes available for occupancy, the Port Authority is to make additional annual payments to the City in-lieu-of taxes with respect to certain space occupied by private tenants within the World Trade Center. On December 30, 1981, the City instituted a suit seeking a declaratory judgment interpreting the payment in-lieu-of taxes agreement. On September 30, 1985, a stipulation of settlement was signed. As a result, the net effect of the retroactive payment in 1985, which was partially offset by estimated amounts recoverable under agreements with World Trade Center tenants, was a reduction in 1985 to net operating revenues of approximately $12,000,000.

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

1. Operating Results

Gross Operating Income (Loss) consists of Revenues from Operations less operating and maintenance expenses, depreciation and Bus Program amortization. General Administrative and Development Expenses, Financial Income, and Interest Expense are not considered in calculating Gross Operating Income (Loss). Allocated general administrative and development expenses for the Ground and Mass Transportation group are $71,118,000 in 1986 and $63,380,000 in 1985 and for the Port Commerce and Economic Development group are $79,308,000 in 1986 and $66,425,000 in 1985.

	Ground and Mass Transportation				Port Commerce and Economic Development				Combined	
	Tunnels & Bridges	Bus Terminal and Bus Programs	Rail	Total	Air Terminals	Marine & Other Facilities	World Trade Facilities	Total	1986	1985
1986					(In Thousands)					
Gross Operating Revenues	$222,763	$ 20,883	$ 46,755	$ 290,401	$564,807	$ 82,973	$231,405	$ 879,185	$1,169,586	
Interdepartmental Revenues		52	2,246	2,298		660	42,687	43,347		
Revenues from Operations	222,763	20,935	49,001	292,699	564,807	83,633	274,092	922,532		
Gross Operating Income (Loss)	100,363	(50,012)	(69,974)	(19,623)	129,437	4,858	110,793	245,088	$ 225,465	
1985										
Gross Operating Revenues	$213,086	$ 20,150	$ 44,583	$ 277,819	$511,141	$ 70,853	$241,027	$ 823,021		$1,100,840
Interdepartmental Revenues		52	1,756	1,808		567	37,187	37,754		
Revenues from Operations	213,086	20,202	46,339	279,627	511,141	71,420	278,214	860,775		
Gross Operating Income (Loss)	103,306	(59,992)	(62,351)	(19,037)	126,256	13,566	89,686	229,508		$ 210,471
General Administrative and Development Expenses									(150,426)	(128,805)
Income from Operations									75,039	81,666
Financial Income									76,772	84,955
Interest Expense									(115,272)	(108,127)
Income Before Extraordinary Item									36,539	58,494
Extraordinary Item										
Gain on purchase of Port Authority bonds in connection with future sinking fund requirements									2,082	4,851
Net Income									$ 38,621	$ 63,345

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 Programs	Rail	Total	Air Terminals	Marine & Other Facilities	World Trade Facilities	Total	Total Assets
1986 Assets					(In Thousands)				
Facilities, net-beginning of year	$506,729	$213,778	$275,337	$ 995,844	$809,014	$477,663	$910,585	$2,197,262	$3,193,106
Net capital expenditures	52,577	12,984	83,494	149,055	199,016	70,065	34,341	303,422	452,477
Depreciation	(12,544)	(4,309)	(9,158)	(26,011)	(60,322)	(19,227)	(22,317)	(101,866)	(127,877)
Facilities, net-end of year	$546,762	222,453	$349,673	1,118,888	$947,708	$528,501	$922,609	2,398,818	3,517,706
Unamortized Cost-Bus Programs		247,642		247,642				—	247,642
Total		$470,095		$1,366,530				$2,398,818	3,765,348
Cash, investments, accounts receivable and other assets									1,525,074
Total Assets									$5,290,422
1985 Assets									
Facilities, net-beginning of year	$475,436	$208,234	$226,088	$ 909,758	$751,952	$403,196	$902,891	$2,058,039	$2,967,797
Net capital expenditures	42,919	9,845	57,027	109,791	114,889	92,257	28,765	235,911	345,702
Depreciation	(11,626)	(4,301)	(7,778)	(23,705)	(57,827)	(17,790)	(21,071)	(96,688)	(120,393)
Facilities, net-end of year	$506,729	213,778	$275,337	995,844	$809,014	$477,663	$910,585	2,197,262	3,193,106
Unamortized Cost-Bus Programs		248,691		248,691				—	248,691
Total		$462,469		$1,244,535				$2,197,262	3,441,797
Cash, investments, accounts receivable and other assets									1,604,511
Total Assets									$5,046,308

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

	Year Ended December 31, 1986 Operating Fund	1986 Reserve Funds (Schedule C)	1986 Combined Total	1985 Combined Total
		(In Thousands)		
Gross Operating Revenues	$1,169,586	$ —	**$1,169,586**	$1,100,840
Operating Expenses:				
Employee compensation, including benefits	433,840	—	**433,840**	402,997
Materials, equipment, supplies and contract services	227,822	—	**227,822**	190,378
Rents (primarily related to airport leases) and amounts in-lieu-of taxes	132,343	—	**132,343**	144,487
Heat, light and power	65,131	—	**65,131**	66,703
Other (Note K-5)	78,684	—	**78,684**	55,278
Total Operating Expenses	937,820	—	**937,820**	859,843
Net Operating Revenues	231,766	—	**231,766**	240,997
Financial Income				
Income on investments (includes gain of $3,571,000 in 1986 and $6,077,000 in 1985 on purchase of Port Authority bonds)	19,555	61,014	**80,569**	91,721
Net Revenues Available for Debt Service and Reserves	251,321	61,014	**312,335**	332,718
Debt Service				
Interest on bonds and notes	116,980	7	**116,987**	110,042
Serial maturities and sinking fund retirements	55,350	642	**55,992**	49,347
Repayment of commercial paper obligations	—	13,178	**13,178**	55,964
Total Debt Service	172,330	13,827	**186,157**	215,353
Transfers to Reserves	($ 78,991)	78,991	**—**	—
Revenues After Debt Service and Transfers to Reserves		126,178	**126,178**	117,365
Direct Investment in Facilities		(80,656)	**(80,656)**	(87,359)
Appropriations for Self-Insurance		(4,260)	**(4,260)**	(4,063)
Increase in Reserves		41,262	**41,262**	25,943
Reserve Balances-Beginning of Year		689,082	**689,082**	663,139
Reserve Balances-End of Year (Schedule C)		$730,344	**$ 730,344**	$ 689,082

See Notes to Consolidated Financial Statements.

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

	December 31, 1986				December 31, 1985
	Operating Fund	Capital Fund	Reserve Funds	Combined Total	Combined Total
			(In Thousands)		
Assets					
Invested in Facilities	$ —	$5,876,771	$ —	**$5,876,771**	$5,396,493
Investments (Note C)	85,360	341,648	723,626	**1,150,634**	1,305,002
Cash (Note C)	4,636	8,878	6,718	**20,232**	21,202
Accounts Receivable (net of Allowance for Doubtful Accounts of $14,516,000 in 1986 and $7,319,000 in 1985)	113,865	—	—	**113,865**	80,516
Other Assets	171,842	119,986	—	**291,828**	254,642
Total Assets	375,703	6,347,283	730,344	**7,453,330**	7,057,855
Liabilities					
Bonds and Notes (Note D)	—	2,856,325	—	**2,856,325**	2,712,317
Commercial Paper Obligations (Note E)	—	17,240	—	**17,240**	37,870
Accounts Payable	83,189	105,350	—	**188,539**	177,830
Accrued Pension, Retirement and Other Employee Benefits (Note J)	123,550	—	—	**123,550**	112,579
Accrued Interest and Other Liabilities	123,351	1,340	—	**124,691**	98,423
Deferred Income	6,744	—	—	**6,744**	9,642
Total Liabilities	336,834	2,980,255	—	**3,317,089**	3,148,661
Net Assets	$ 38,869	$3,367,028	$730,344	**$4,136,241**	$3,909,194
Net Assets are Composed of:					
Debt Retired Through Income	$ —	$2,529,853	$ —	**$2,529,853**	$2,460,683
Reserves (Schedule C)	—	—	730,344	**730,344**	689,082
Government Contributions in Aid of Construction (Note G)	—	294,960	—	**294,960**	263,261
Appropriated Reserves Invested in Facilities	—	542,215	—	**542,215**	461,559
Appropriated Reserves for Self-Insurance	38,869	—	—	**38,869**	34,609
Net Assets	$ 38,869	$3,367,028	$730,344	**$4,136,241**	$3,909,194

See Notes to Consolidated Financial Statements.

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

	Year Ended December 31,				
	1986				1985
	General Reserve Fund	Consolidated Bond Reserve Fund	Special Reserve Fund (A)	**Combined Total**	Combined Total
			(In Thousands)		
Balance, January 1 (Note F)	$271,232	$417,204	$646	**$689,082**	$663,139
Income on investments (includes gain on purchase of Port Authority bonds)	24,696	36,303	15	**61,014**	71,745
Reserve fund transfers	(8,571)	8,583	(12)	**—**	—
Transfers from operating fund	—	78,991	—	**78,991**	102,927
	287,357	541,081	649	**829,087**	837,811
Applications:					
Interest on bonds and notes	—	—	7	**7**	70
Serial maturities and sinking fund retirements	—	—	642	**642**	1,273
Repayment of commercial paper obligations	—	13,178	—	**13,178**	55,964
Invested in facilities	—	80,656	—	**80,656**	87,359
Self-insurance	—	4,260	—	**4,260**	4,063
Total Applications	—	98,094	649	**98,743**	148,729
Balance, December 31 (Note F)	$287,357	$442,987	$ —	**$730,344**	$689,082

(A) Requirements associated with the General and Refunding Bonds have been satisfied as of March 1, 1986, and the Special Reserve Fund in Trust no longer exists. (See Note F-3.)

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, 1986 been used, the respective Reserve Fund balances at December 31, 1986 would be:

General Reserve Fund	Consolidated Bond Reserve Fund
$287,357	$449,299

See Notes to Consolidated Financial Statements.

Schedule D **Amortization of Consolidated Bonds and Consolidated Notes 1987–2021**

	December 31, 1986 (In Thousands)		
	Total Debt Service		
	Par Value $2,759,825		
Year	Total	Interest	Amortization
1987	$ 335,773	$ 180,641	$ 155,132
1988	228,409	175,802	52,607
1989	234,999	181,180	53,819
1990	234,976	178,677	56,299
1991	235,574	175,921	59,653
1992	236,912	172,914	63,998
1993	238,293	169,549	68,744
1994	235,911	166,444	69,467
1995	238,029	165,088	72,941
1996	237,398	160,788	76,610
1997	234,809	156,259	78,550
1998	236,299	151,399	84,900
1999	236,131	146,131	90,000
2000	241,650	140,300	101,350
2001	241,954	133,404	108,550
2002	242,544	125,844	116,700
2003	234,840	117,840	117,000
2004	217,033	109,983	107,050
2005	214,526	102,076	112,450
2006	198,119	93,769	104,350
2007	183,363	85,913	97,450
2008	168,620	78,520	90,100
2009	153,829	71,379	82,450
2010	149,827	64,227	85,600
2011	147,059	56,759	90,300
2012	129,564	49,064	80,500
2013	119,005	42,155	76,850
2014	101,964	35,464	66,500
2015	85,898	29,598	56,300
2016	85,475	24,275	61,200
2017	80,675	18,575	62,100
2018	62,246	13,046	49,200
2019	58,643	8,243	50,400
2020	48,692	4,192	44,500
2021	18,042	842	17,200
Total	$6,347,081	$3,586,261	$2,760,820

NOTE: Total Amortization of $2,760,820,000 shown above differs from the Par Value of $2,759,825,000 because the above table includes call premiums of $995,000. Interest shown under "Total Debt Service" is computed on the assumption that amortization payments will be made each year on the latest permissible date. Neither the above table nor Par Value include amounts for special obligations which may be outstanding from time to time, including those established under the Commercial Paper Program and $96,500,000 Special Project Bonds, Series 1, which are not secured by or payable from the General Reserve Fund and for accelereated mandatory retirements, if any, in connection with Consolidated Bonds, Fifty-second Series, Due 2014, which have been converted to a variable rate of interest (see Note E-1 and Note F-4). Both the above table and Par Value include all mandatory payments (including sinking fund requirements, applicable call premiums and serial maturities) whether payable from revenues or other sources upon assumptions that: (1) – the presently outstanding bonds or notes will not be retired prior to maturity except in accordance with the mandatory retirement provisions of the resolutions establishing the series of which such bonds or notes form a part; (2) – the payment into each sinking fund will be made on the latest permissible date of each year for which such sinking fund payment is required to be made; (3) – such payments will be in the amounts scheduled to be made for each year. Both the above table and Par Value also include, for those series of bonds which may be converted to a variable rate of interest, the maximum amount of such interest permissible.

See Notes to Consolidated Financial Statements.

Schedule E **Selected Statistical Financial Data**

	1986	1985	1984	1983	1982	1981	1980	1979	1978	1977
					(In Thousands)					
REVENUES AND EXPENSES										
Gross Operating Revenues	$1,169,586	$1,100,840	$1,000,060	$ 848,584	$ 779,744	$ 699,113	$ 647,647	$ 588,064	$ 543,810	$ 524,325
Operating Expenses	937,820	859,843	706,895	610,287	557,303	487,758	437,199	391,517	367,794	327,047
Net Operating Revenues	231,766	240,997	293,165	238,297	222,441	211,355	210,448	196,547	176,016	197,278
Income on Investments	76,998	85,644	85,836	71,626	88,664	90,688	77,675	44,957	30,150	24,695
Gain on Purchase of Port Authority Bonds	3,571	6,077	5,501	8,596	13,533	13,116	12,323	10,067	9,321	3,670
Security Valuation Adjustment	—	—	(19)	11	—	1,135	(944)	(3,664)	(9,981)	(127)
Net Revenues Available for Debt Service and Reserves	312,335	332,718	384,483	318,530	324,638	316,294	299,502	247,907	205,506	225,516
DEBT SERVICE-OPERATIONS										
Interest on Bonds and Notes (Note B)	(116,980)	(109,972)	(116,352)	(110,024)	(101,818)	(99,542)	(98,040)	(87,296)	(85,456)	(83,354)
Times, Interest Earned (A)	2.67	3.02	3.30	2.87	3.16	3.16	3.05	2.84	2.40	2.71
Serial Maturities and Sinking Fund Retirements	(55,350)	(48,074)	(18,593)	(32,433)	(30,387)	(42,344)	(38,092)	(36,944)	(21,023)	(30,173)
Times, Debt Service Earned (A)	1.81	2.08	2.33	2.05	2.26	2.24	2.16	2.00	1.93	1.99
DEBT SERVICE-RESERVES										
Debt Service on Bonds Secured by Trusts	(649)	(1,343)	(1,204)	(637)	(1,129)	(1,298)	(2,187)	(4,159)	(6,354)	(5,088)
Interest on Bank Loans	—	—	—	(2,777)	(4,300)	(6,456)	(5,749)	(6,370)	(7,562)	(8,329)
Repayment of Bank Loans	—	—	—	(31,250)	(31,250)	(31,250)	(31,250)	(40,000)	(40,000)	(60,000)
Repayment of Commercial Paper Obligations	(13,178)	(55,964)	(85,389)	(100,089)	(37,422)	—	—	—	—	—
Debt Retirement Acceleration	—	—	—	(20,000)	(20,000)	(20,000)	(10,000)	(7,500)	—	—
Direct Investment in Facilities-Reserves	(80,656)	(87,359)	(71,527)	(19,221)	(75,621)	(75,000)	(20,000)	(25,000)	—	(5,000)
Appropriation for Self-Insurance-Reserves	(4,260)	(4,063)	(489)	537	1,329	607	(1,896)	(3,444)	(3,955)	(4,636)
Net Increase in Reserves Before Cumulative Effect of Change in Accounting Principle	41,262	25,943	90,929	2,636	24,040	41,011	92,288	37,194	41,156	28,936
Cumulative Effect on Prior Years of Changing to a Different Security Valuation Method	—	—	—	—	—	—	9,503	—	—	—
Net Increase in Reserves (B)	41,262	25,943	90,929	2,636	24,040	41,011	101,791	37,194	41,156	28,936
RESERVE BALANCES										
Beginning of Year	689,082	663,139	572,210	569,574	545,534	504,523	402,732	365,538	324,382	295,446
End of Year	$ 730,344	$ 689,082	$ 663,139	$ 572,210	$ 569,574	$ 545,534	$ 504,523	$ 402,732	$ 365,538	$ 324,382
Represented by:										
General Reserve Fund	$ 287,357	$ 271,232	$ 236,166	$ 223,080	$ 223,080	$ 210,597	$ 210,597	$ 210,597	$ 208,023	$ 194,692
Special Reserve (C)	—	646	1,940	3,064	3,649	4,788	6,103	7,466	8,829	10,192
Air Terminal Reserve (C)	—	—	—	—	—	—	—	682	3,283	7,766
Marine Terminal Reserve (C)	—	—	—	—	—	—	—	157	310	795
Consolidated Bond Reserve	442,987	417,204	425,033	346,066	342,845	330,149	287,823	183,830	145,093	110,937
Total	$ 730,344	$ 689,082	$ 663,139	$ 572,210	$ 569,574	$ 545,534	$ 504,523	$ 402,732	$ 365,538	$ 324,382
DEBT-AT YEAR-END										
General and Refunding Bonds	$ —	$ 642	$ 1,915	$ 2,997	$ 3,528	$ 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	2,759,825	2,615,175	2,263,249	2,075,842	2,127,275	1,967,662	1,925,006	1,973,098	1,943,460	1,804,152
Special Project Bonds	96,500	96,500	96,500	96,500	—	—	—	—	—	—
Total Bonds and Notes	2,856,325	2,712,317	2,361,664	2,175,339	2,130,803	1,972,251	1,930,811	1,980,970	1,955,231	1,821,923
Commercial Paper Obligations	17,240	37,870	—	—	—	—	—	—	—	—
Bank Loans	—	—	—	—	31,250	62,500	93,750	125,000	165,000	205,000
Total	$2,873,565	$2,750,187	$2,361,664	$2,175,339	$2,162,053	$2,034,751	$2,024,561	$2,105,970	$2,120,231	$2,026,923
INVESTED IN FACILITIES-AT YEAR-END	$5,876,771	$5,396,493	$5,050,775	$4,838,351	$4,574,583	$4,375,490	$4,148,331	$3,985,354	$3,882,953	$3,792,776
DEBT RETIRED THROUGH INCOME										
Annual	$ 69,170	$ 105,310	$ 105,064	$ 184,303	$ 120,120	$ 94,810	$ 81,409	$ 88,343	$ 67,023	$ 94,754
Cumulative	$2,529,853	$2,460,683	$2,355,373	$2,250,309	$2,066,006	$1,945,886	$1,851,076	$1,769,667	$1,681,324	$1,614,301

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

1986	1985	1984	1983	1982	1981	1980	1979	1978	1977
—	($1,560)	($29,731)	($12,193)	($11,016)	$1,250	($2,250)	—	—	—

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

1981	1980	1979	1978	1977
$ 34,390	$ 90,732	$ 36,881	$ 50,964	$ 29,044

(C) Reserve Funds established in connection with prior lien bonds maintained in Trust since December 31, 1970.

NOTE: This selected financial data is prepared from information contained in Schedules A, B and C and is presented for general information purposes only and is not intended to reflect specific applications of the revenues and reserves of the Port Authority which are governed by statutes and its bond resolutions. The data for the years ended 1977-1980 are derived from financial statements examined by another independent auditor.

See Notes to Consolidated Financial Statements.

The Port Authority of New York and New Jersey

New York State Commuter Car Program

Assets and Liabilities

	December 31, 1986	December 31, 1985
	(In Thousands)	
Assets		
Invested in Commuter Cars, at Cost (A)	**$158,928**	$145,069
Cash and Investments in U.S. Government Securities, at Cost (which approximates market)	**7,559**	5,416
Other Assets	**809**	563
Total Assets	**167,296**	151,048
Liabilities		
State Guaranteed Commuter Car Bonds	**97,450**	88,295
Other Liabilities	**9,886**	9,663
Total Liabilities	**107,336**	97,958
Debt Retired (A)	**$ 59,960**	$ 53,090

(A) Does not include New York State Guaranteed Commuter Bonds, First Series Due 1962-1966 all of which have been retired, or the Commuter Cars associated therewith, all of which were transferred to the Long Island Railroad Company.

NOTE: Pursuant to legislation of the States of New York and New Jersey, the Port Authority is authorized and empowered, upon the election of either state, to purchase and lease railroad cars to commuter railroads of the electing state, and to borrow money for such purpose or for the repayment of advances from the electing state if such state has made itself liable for the repayment of the money so borrowed. By resolution dated April 12, 1962, the Port Authority established an issue of New York State Guaranteed Commuter Car Bonds. The information contained in this schedule has been prepared pursuant to such bond resolution and legislation. Such Car Bonds are secured by the net revenues of the Port Authority arising out of the lease of commuter railroad cars. The Metropolitan Transportation Authority currently leases railroad cars acquired under this program, in its own right and in connection with the assumption of equipment obligations of Consolidated Rail Corporation (ConRail) and of the Penn Central Transportation Company (and its successor, ConRail). Car Bonds are not secured by any other revenues, reserves or assets of the Port Authority, are not general obligations of the Port Authority and are not secured by the full faith and credit of the Port Authority. In the event that lease revenues are not sufficient to provide for scheduled payment of principal and interest, the punctual payment of such debt service is fully and unconditionally guaranteed by New York State. Title to the cars is to be relinquished by the Port Authority after retirement of all obligations issued in connection with such cars. (See Note F-5.)

See Notes to Consolidated Financial Statements.

THE PORT AUTHORITY OF NY & NJ

Facility Traffic

Tunnels and Bridges (Eastbound Traffic in Thousands)	1986	1985
All Crossings		
Automobiles	**100,254**	96,203
Buses	**2,007**	1,934
Trucks	**7,851**	7,561
Total Vehicles	**110,112**	105,698
George Washington Bridge		
Automobiles	**46,172**	44,098
Buses	**261**	267
Trucks	**4,011**	3,822
Total Vehicles	**50,444**	48,187
Lincoln Tunnel		
Automobiles	**18,683**	18,178
Buses	**1,485**	1,417
Trucks	**1,120**	1,120
Total Vehicles	**21,288**	20,715
Holland Tunnel		
Automobiles	**11,777**	12,318
Buses	**97**	90
Trucks	**937**	1,011
Total Vehicles	**12,811**	13,419
Staten Island Bridges		
Automobiles	**23,622**	21,608
Buses	**164**	160
Trucks	**1,783**	1,608
Total Vehicles	**25,569**	23,376
Cumulative PA Investment In Tunnels and Bridges (In Thousands)	**$814,800**	$762,200

Air Terminals	1986	1985
Totals at the Three Major Airports		
Plane Movements	**1,030,400**	1,013,900
Passenger Traffic	**78,846,000**	78,064,000
Cargo-Tons	**1,445,400**	1,408,600
Revenue Mail-Tons	**219,900**	240,900
Kennedy International Airport		
Plane Movements	**279,400**	286,100
Passenger Traffic		
Total	**27,224,000**	28,945,000
Domestic	**11,829,000**	12,569,000
Overseas	**15,395,000**	16,376,000
Cargo-Tons	**1,095,500**	1,080,400
LaGuardia Airport		
Plane Movements	**350,900**	348,100
Passenger Traffic	**22,189,000**	20,542,000
Cargo-Tons	**50,500**	54,100
Newark International Airport		
Plane Movements	**400,100**	379,700
Passenger Traffic	**29,433,000**	28,577,000
Cargo-Tons	**299,400**	274,100
Cumulative PA Investment In Air Terminals (In Thousands)	**$1,926,900**	$1,734,500

Terminals	1986	1985
All Bus Facilities		
Passengers	**76,267,000**	75,595,000
Bus Movements	**3,163,000**	3,130,000
Port Authority Bus Terminal		
Passengers	**59,500,000**	59,000,000
Bus Movements	**2,052,000**	2,000,000
George Washington Bridge Bus Station		
Passengers	**5,500,000**	5,500,000
Bus Movements	**262,000**	263,000
PATH Journal Square Transportation Center Bus Station		
Passengers	**11,267,000**	11,095,000
Bus Movements	**849,000**	867,000
Cumulative PA Investment In Bus Facilities (In Thousands)	**$263,500**	$251,000

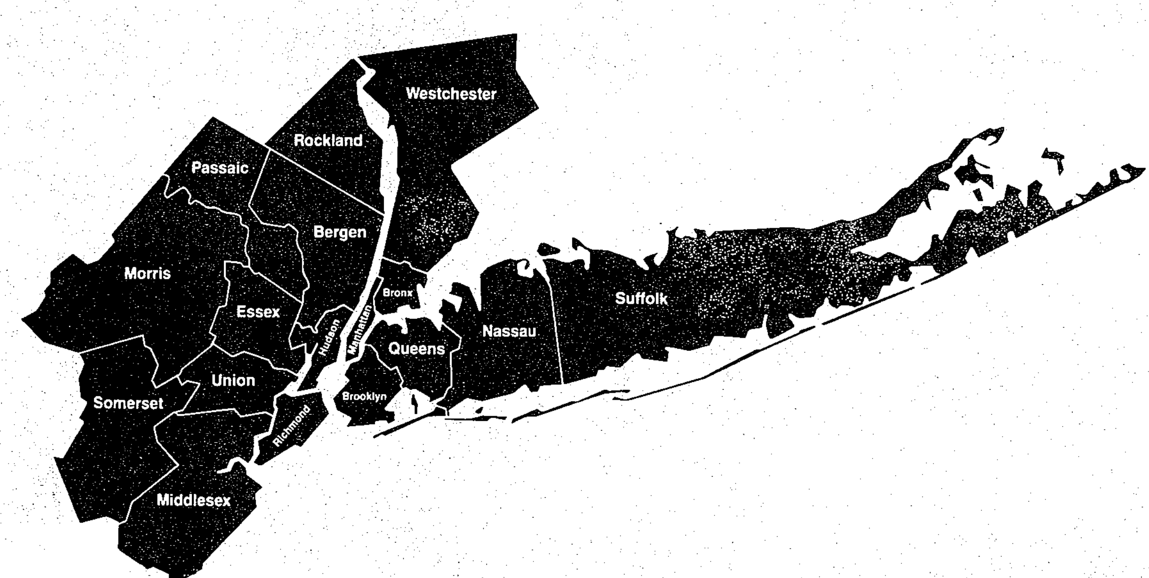
Marine Terminals	1986	1985
All Terminals		
Ship Arrivals	**3,587**	3,411
General Cargo (Long Tons)	**21,170,115**	20,049,141
Passengers	**407,355**	444,528
New Jersey Marine Terminals		
Ship Arrivals	**2,748**	2,659
General Cargo (Long Tons)	**18,182,272**	17,465,633
New York Marine Terminals		
Ship Arrivals	**588**	513
General Cargo (Long Tons)	**2,987,843**	2,583,508
Passenger Ship Terminal		
Ship Arrivals	**251**	239
Passengers	**407,355**	444,528
Cumulative PA Investment In Marine Terminals (In Thousands)	**$702,300**	$660,300

PATH	1986	1985
Total Passengers	**57,589,000**	53,709,000
Passenger Weekday Average	**203,570**	190,750
Cumulative PA Investment in PATH (In Thousands)	**$457,700**	$374,200

	1986	1985
Total Port Authority Cumulative Invested in Facilities, Including the Above (In Thousands)	**$5,876,800**	$5,396,500

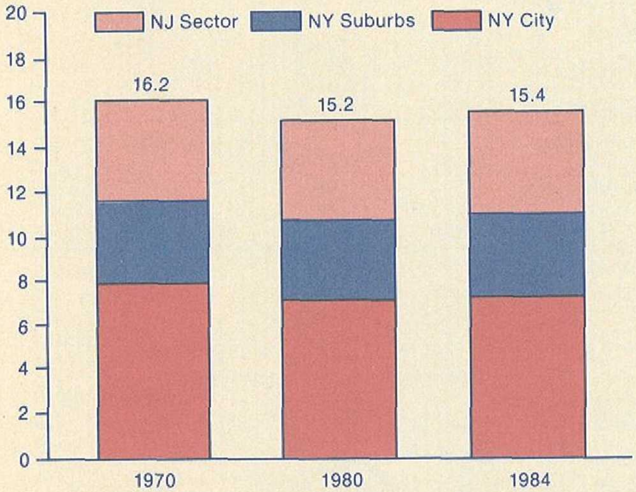
The New York-New Jersey Metropolitan Regional Almanac

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



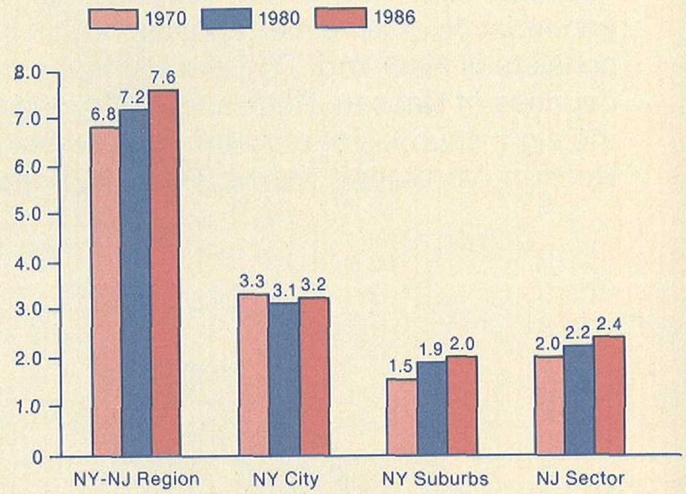
Area	3,900 Square Miles
Population 1984	15.4 Million
Households 1980	5.5 Million
Civilian Labor Force 1986	7.6 Million
Total Personal Income 1984	$244.2 Billion
Retail Sales 1986 Estimate	$94 Billion
Total Wage and Salary Jobs—1986	7.4 Million

Population
N.Y.-N.J. Metropolitan Region
1970, 1980 and 1984
(in millions)



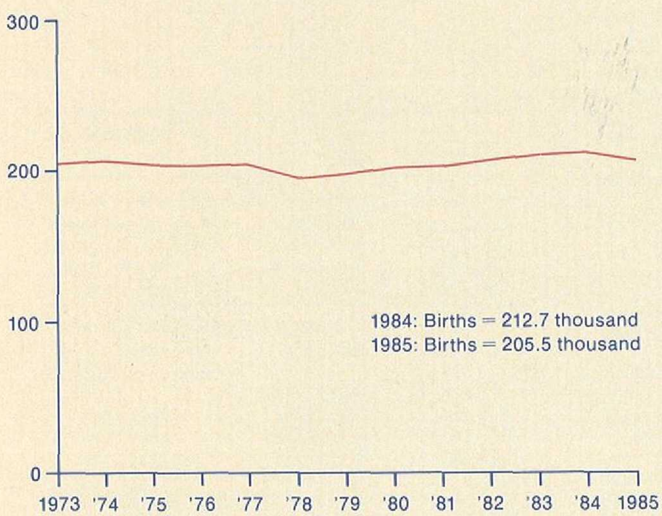
Source: U.S. Bureau of the Census, N.Y. State Dept. of Commerce, N.J. State Dept. of Labor

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



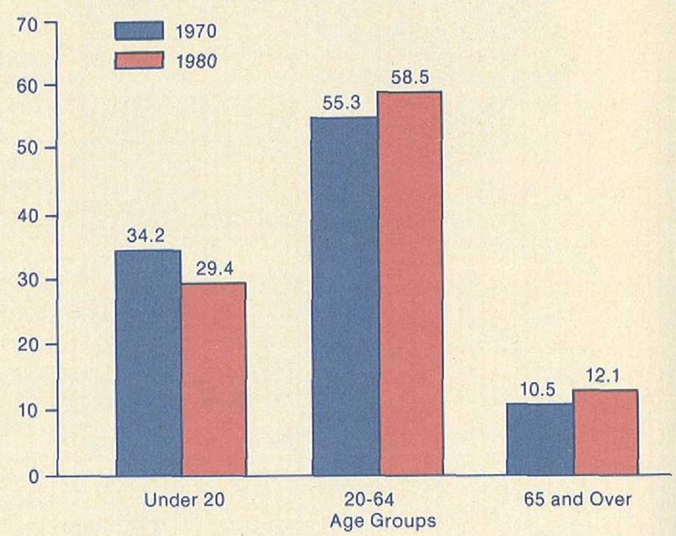
Source: N.Y. and N.J. State Depts. of Labor

Number of Births
N.Y.-N.J. Metropolitan Region
1973-1985
(in thousands)



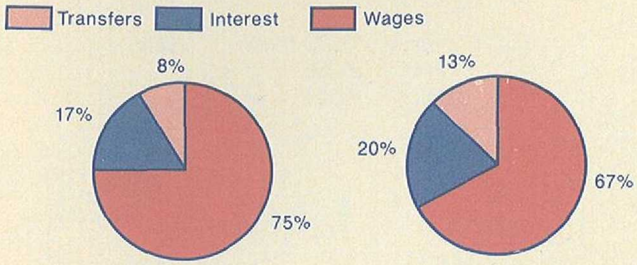
Source: N.Y. and N.J. State Depts. of Health

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



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

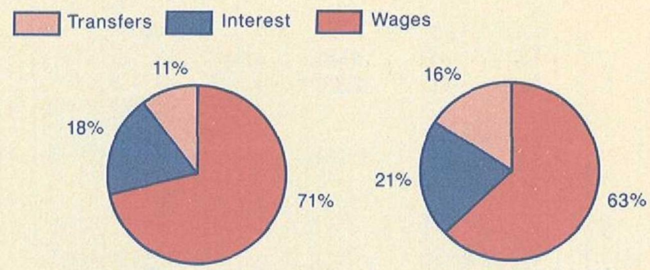
Total Personal Income by Type
N.Y.-N.J. Metropolitan Region
(percent)



1969: Region = $76.6 billion

1984: Region = $244.2 billion

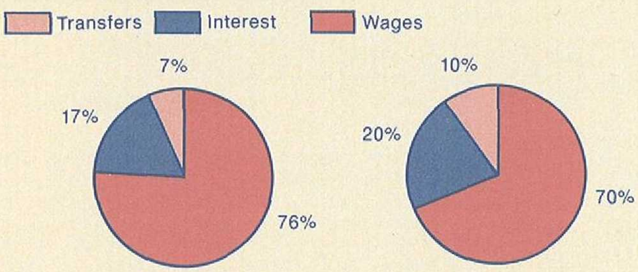
Total Personal Income by Type
New York City
(percent)



1969: New York City = $36.3 billion

1984: New York City = $102.1 billion

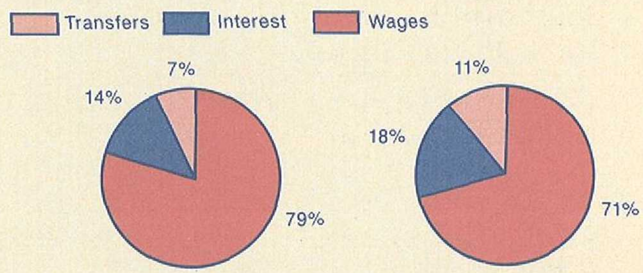
Total Personal Income by Type
N.Y. Suburbs
(percent)



1969: N.Y. Suburbs = $19.0 billion

1984: N.Y. Suburbs = $69.5 billion

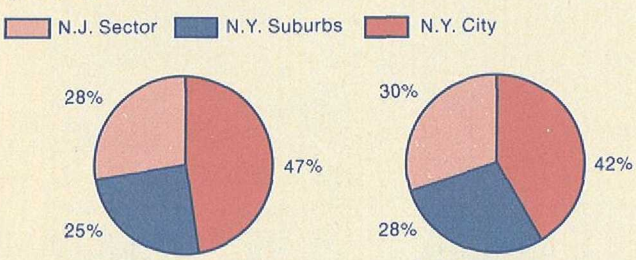
Total Personal Income by Type
N.J. Sector
(percent)



1969: N.J. Sector = $21.3 billion

1984: N.J. Sector = $72.6 billion

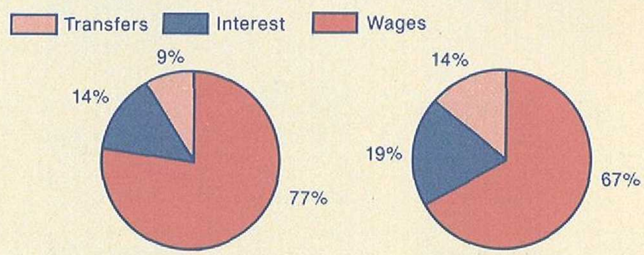
Total Personal Income
N.Y.-N.J. Metropolitan Region
(percent)



1969: Region = $76.6 billion

1984: Region = $244.2 billion

Total Personal Income by Type
United States
(percent)

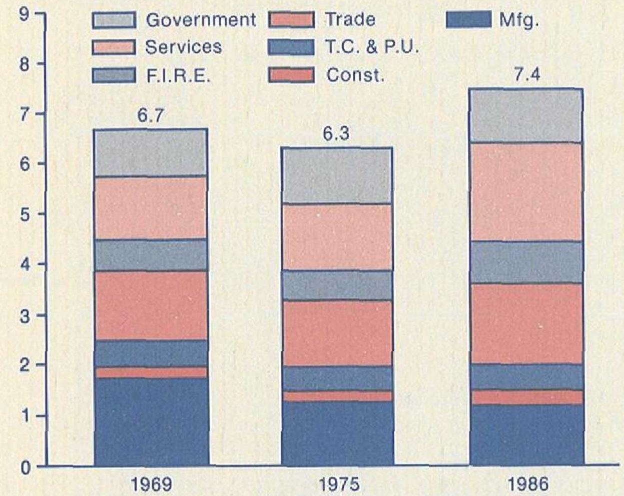


1969: U.S. = $747.5 billion

1984: U.S. = $3.0 trillion

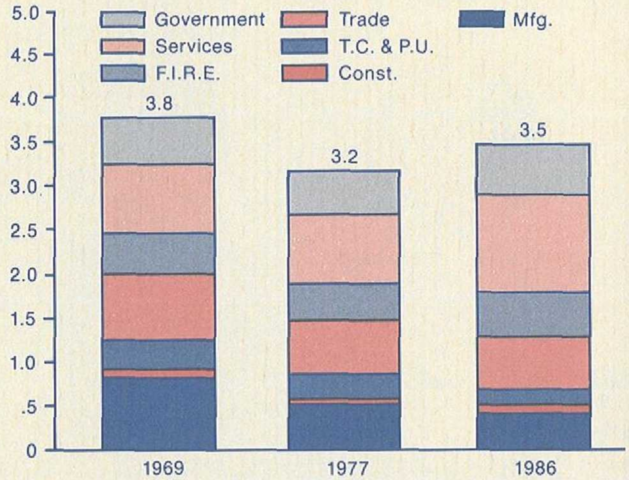
Source: U.S. Bureau of Economic Analysis
Wages = Net Labor and Proprietors Income
Interest = Dividends, Interest and Rent
Transfers = Transfer Payments

N.Y.-N.J. Metropolitan Region Wage & Salary Employment in Millions by Major Industry 1969, 1975 and 1986



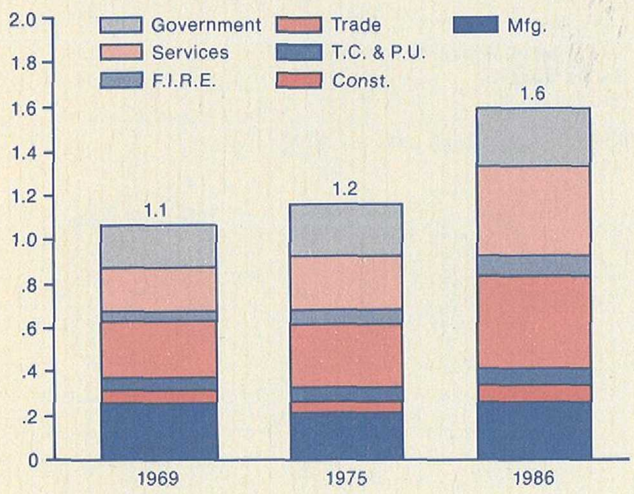
Source: N.Y. and N.J. State Depts. of Labor
F.I.R.E. = Finance, Insurance & Real Estate
T.C. & P.U. = Transportation, Communications & Public Utilities

New York City Wage & Salary Employment in Millions by Major Industry 1969, 1977 and 1986



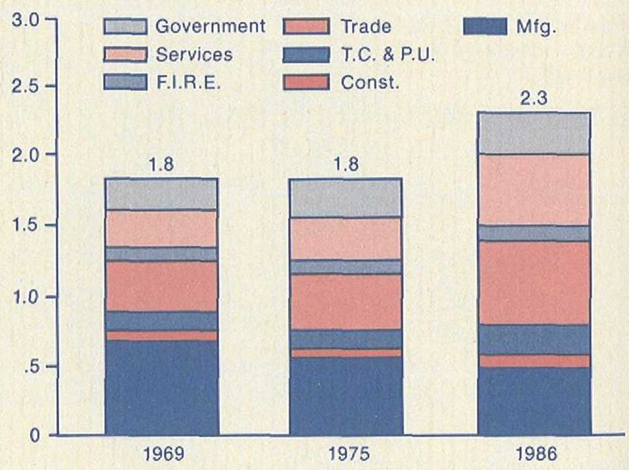
Source: New York State Dept. of Labor
F.I.R.E. = Finance, Insurance & Real Estate
T.C. & P.U. = Transportation, Communications & Public Utilities

New York Suburbs Wage & Salary Employment in Millions by Major Industry 1969, 1975 and 1986



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

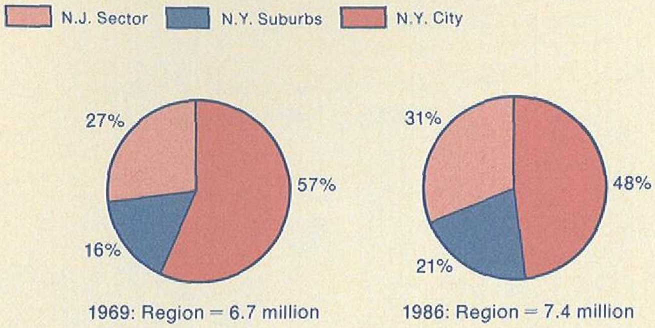
New Jersey Sector Wage & Salary Employment in Millions by Major Industry 1969, 1975 and 1986



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

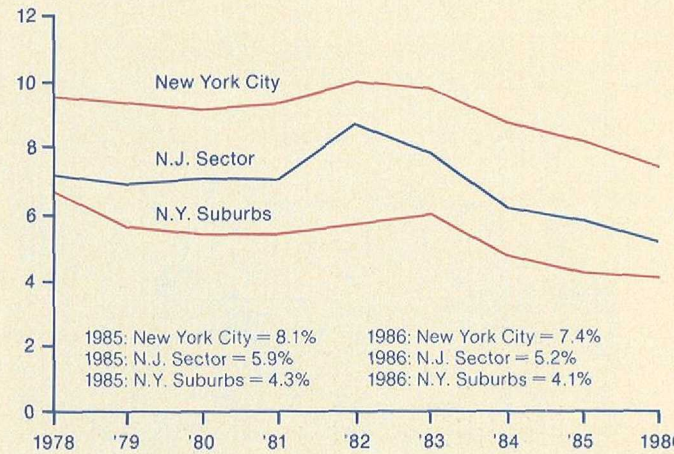
Unemployment

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



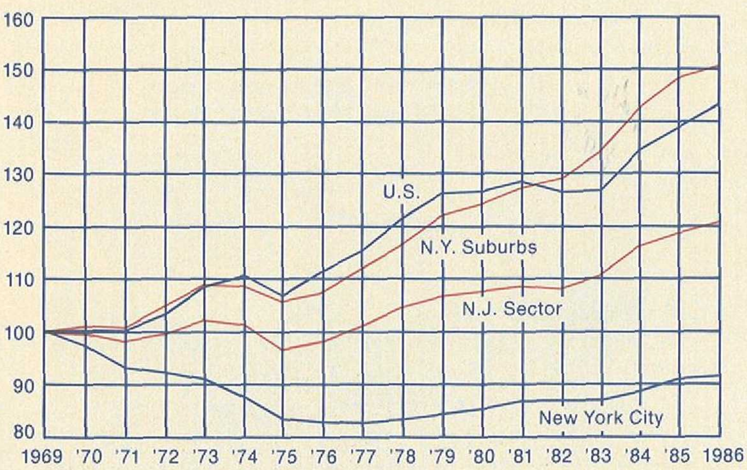
Source: N.Y. State Dept. of Labor
N.J. State Dept. of Labor

Unemployment Rates
N.Y.-N.J. Metropolitan Region
1978-1986
(percent)



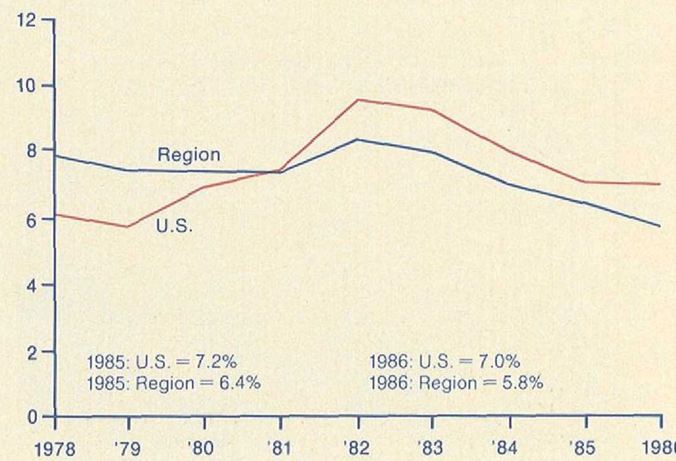
Source: N.Y. State Dept. of Labor
N.J. State Dept. of Labor

Index of Private Wage and Salary Employment
U.S. and N.Y.-N.J. Metropolitan Region
1969-1986
(index number: 1969 = 100)



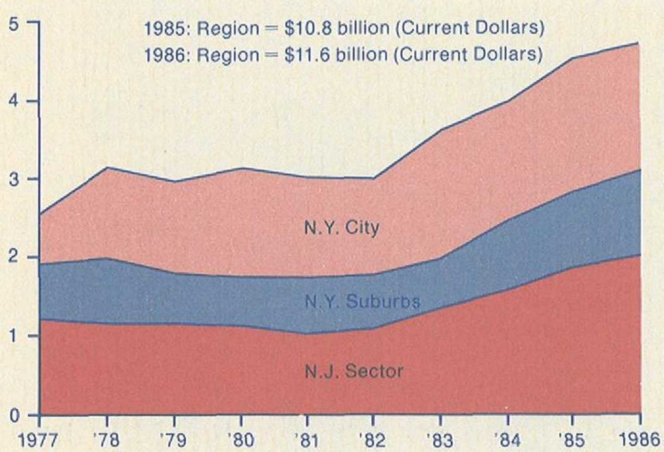
Source: U.S. Bureau of Labor Statistics
N.Y. State Dept. of Labor
N.J. State Dept. of Labor

Unemployment Rates
U.S. and N.Y.-N.J. Metropolitan Region
1978-1986
(percent)



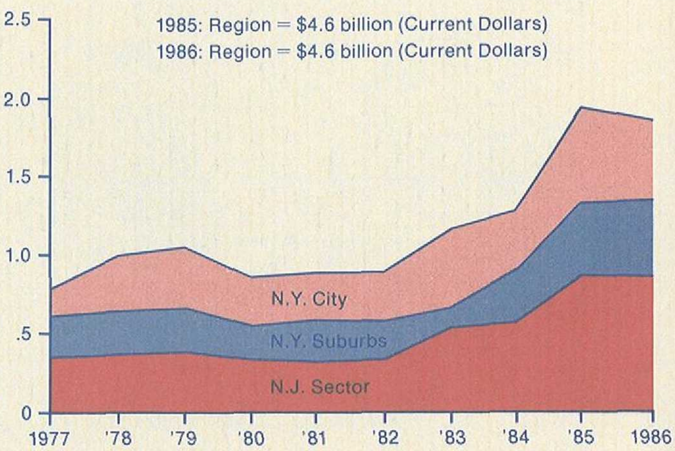
Source: U.S. Bureau of Labor Statistics
N.Y. State Dept. of Labor
N.J. State Dept. of Labor

Total Construction Contract Awards
N.Y.-N.J. Metropolitan Region
1977-1986
(billions of 1972 dollars)



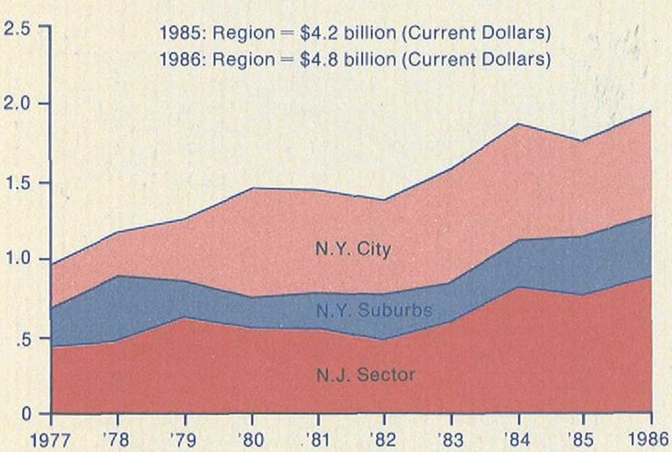
Source: F.W. Dodge

Residential Building Construction Contract Awards
N.Y.-N.J. Metropolitan Region
1977-1986
(billions of 1972 dollars)



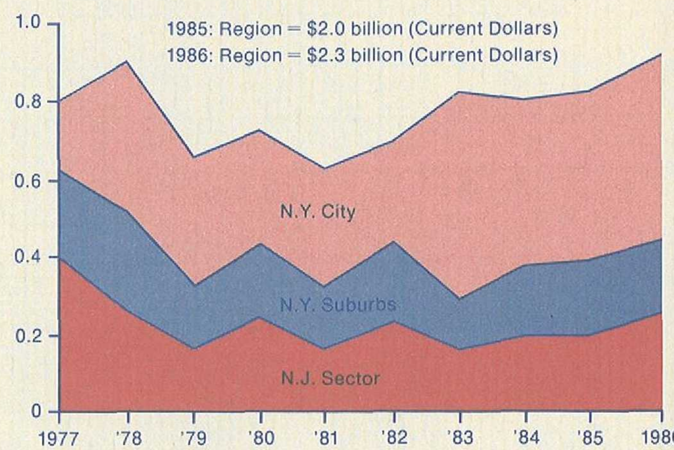
Source: F.W. Dodge

Commercial and Industrial Building
Construction Contract Awards
N.Y.-N.J. Metropolitan Region 1977-1986
(billions of 1972 dollars)



Source: F.W. Dodge

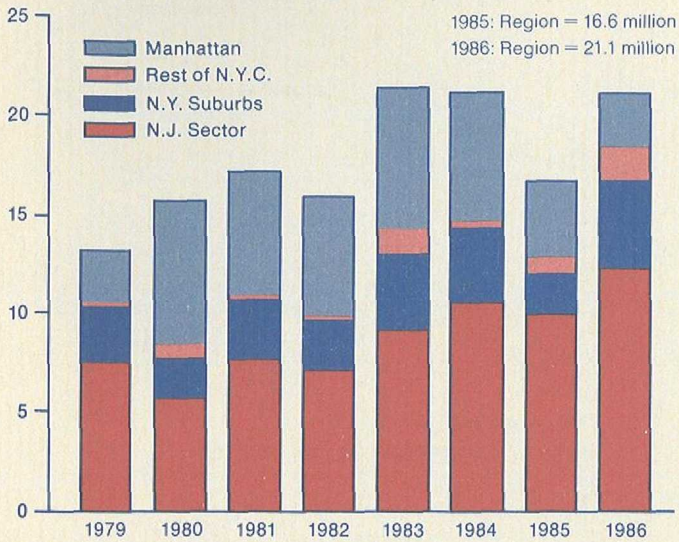
Infrastructure Construction Contract Awards
N.Y.-N.J. Metropolitan Region
1977-1986
(billions of 1972 dollars)



Source: F.W. Dodge

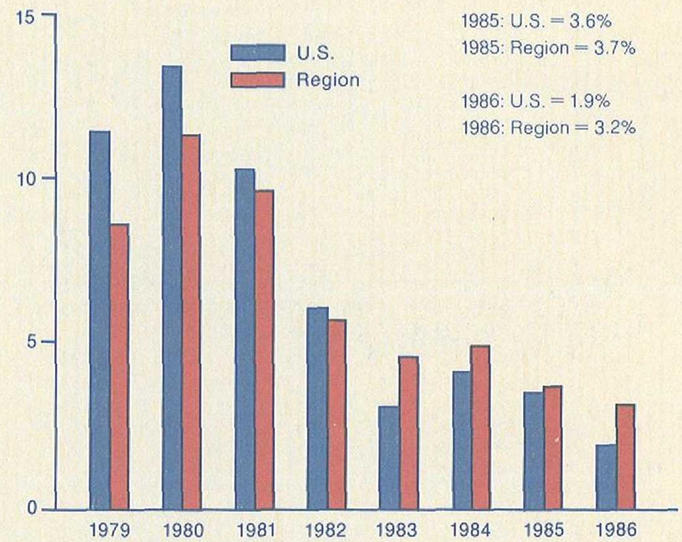
Inflation

Contract Awards for Office Buildings in the New York-New Jersey Metropolitan Region 1979-1986 (millions of square feet)



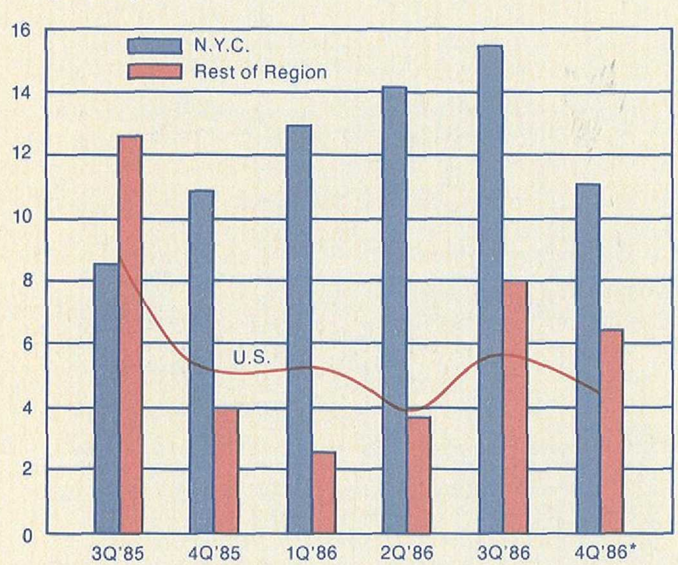
Source: F.W. Dodge

Percent Change in Consumer Price Index/All Items U.S. and N.Y.-N.J. Metropolitan Region 1979-1986 (percent)



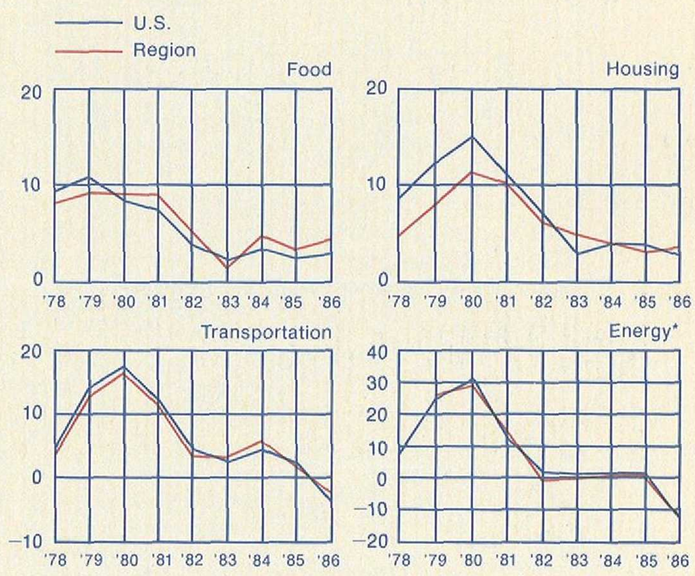
Source: U.S. Bureau of Labor Statistics

Percent Change in Retail Sales in the N.Y.-N.J. Metropolitan Region and the U.S. by Quarter: 1986 Over 1985 (percent)



Source: U.S. Dept. of Commerce
Note: *Fourth Quarter 1986 based on October and November data

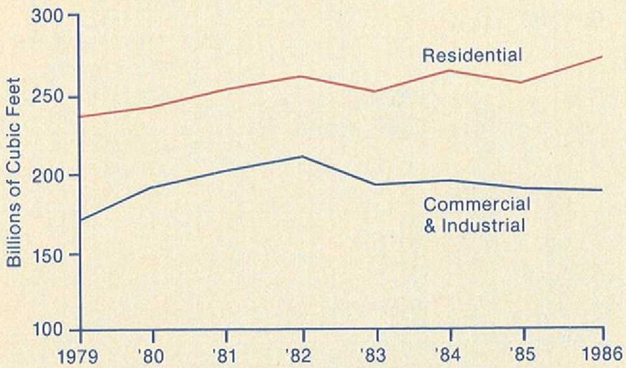
Components of the Consumer Price Index 1978-1986 (percent)



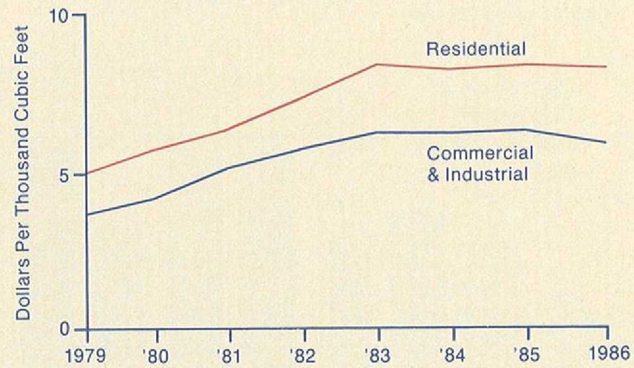
*Energy data for region unavailable prior to 1978
Source: U.S. Bureau of Labor Statistics

Energy

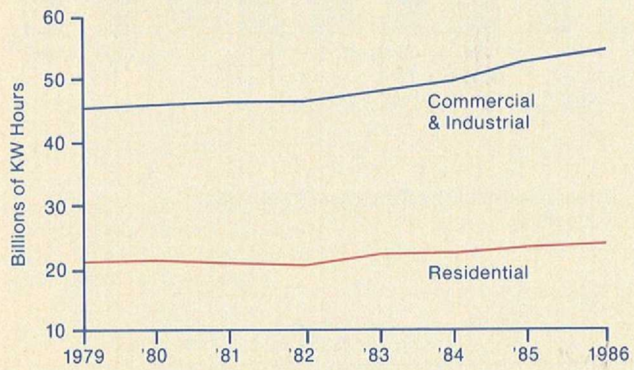
Natural Gas Consumption
N.Y.-N.J. Metropolitan Region 1979-1986



Natural Gas Prices
N.Y.-N.J. Metropolitan Region 1979-1986

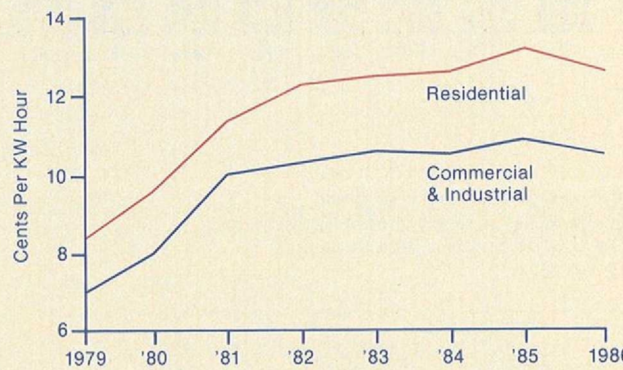


Electricity Consumption
N.Y.-N.J. Metropolitan Region 1979-1986



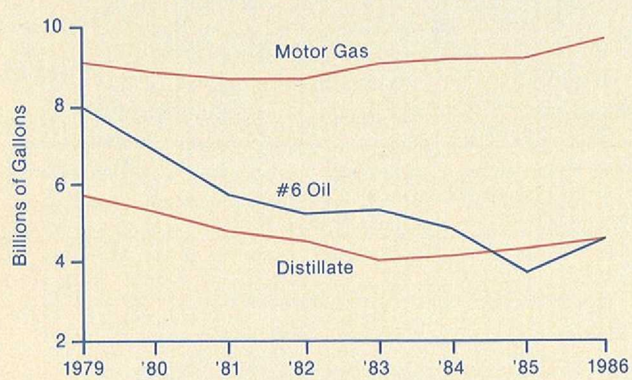
Source: NJDOE, NYPSC. Electricity and natural gas consumption is based on utility sales within N.Y.-N.J. metropolitan area.

Electricity Prices
N.Y.-N.J. Metropolitan Region 1979-1986



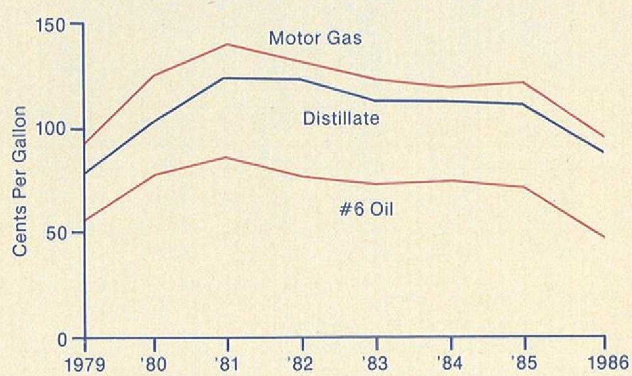
Source: NJDOE, NYPSC. Electricity and natural gas prices are based on a weighted average of utility revenues.

Petroleum Consumption
States of New Jersey and New York 1979-1986



Source: U.S. Energy Information Administration

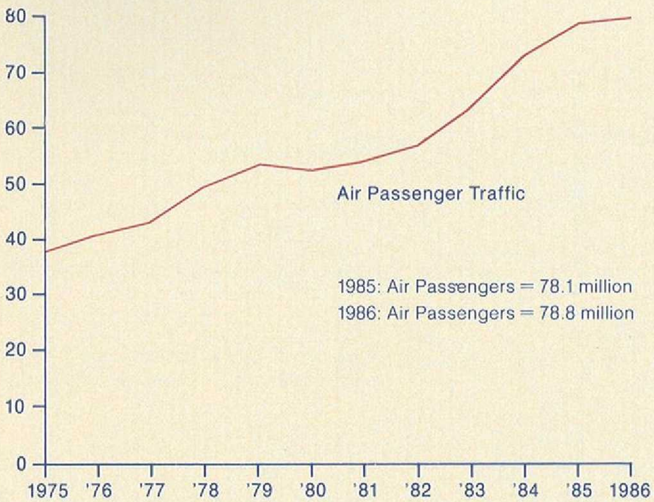
Petroleum Prices
States of New Jersey and New York 1979-1986



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

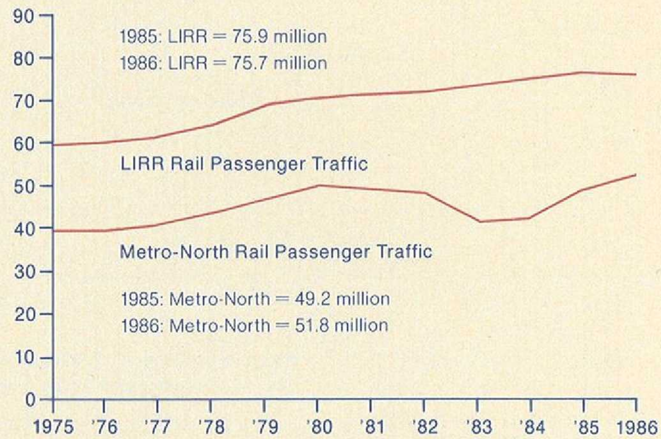
Regional Traffic Trends

Domestic and Overseas Air Passenger Traffic
N.Y.-N.J. Metropolitan Region
1975-1986
(in millions)



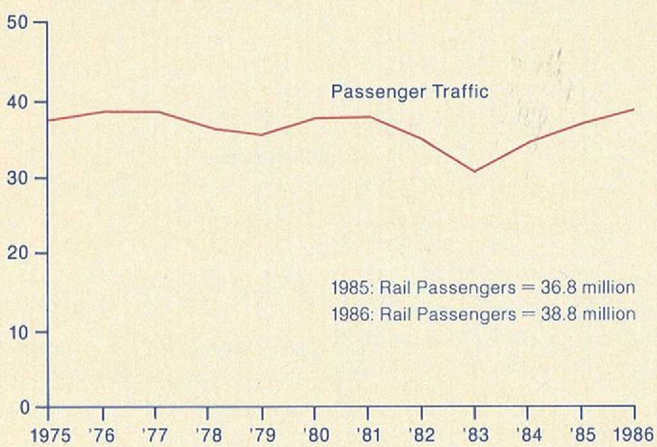
Source: The Port Authority of N.Y.-N.J.

Metropolitan Transportation Authority
Commuter Rail Revenue Passenger Traffic
1975-1986
(in millions)



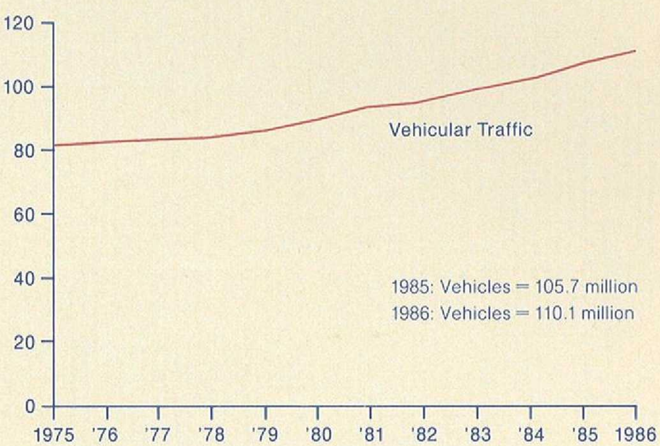
Source: Metropolitan Transportation Authority
Note: Metro-North includes the former New Haven, Harlem and Hudson lines of Conrail
Note: 6 week Metro-North strike in 1983

New Jersey Transit Rail Passenger Traffic
1975-1986
(in millions)



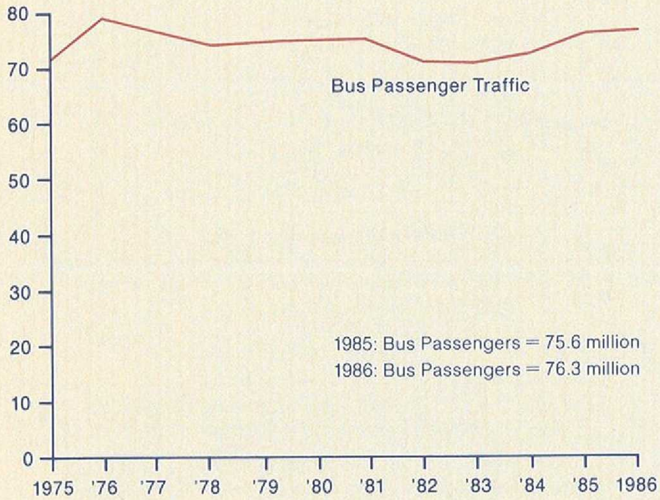
Source: Tri-State Regional Planning Commission, 1974-1978
New Jersey Transit, 1979-1986
Note: New Jersey Transit's rail operations include the former Hoboken and New Jersey Divisions of Conrail. Excludes MTA ridership on Mainline Bergen but it includes MTA Pascack Valley and N.J. Transit ridership utilizing Amtrak's Northeast Corridor service
Note: 34 day strike in 1983

Port Authority Tunnels and Bridges
Annual Eastbound Vehicular Traffic
1975-1986
(in millions)



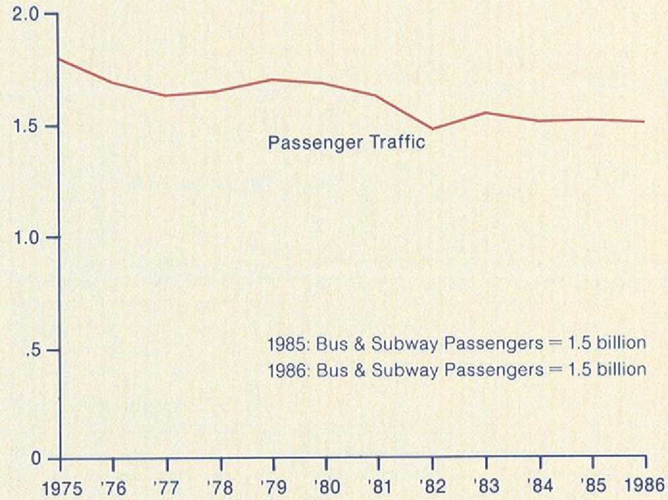
Source: The Port Authority of N.Y.-N.J.

Bus Passenger Traffic: through Port Authority Terminals
N.Y.-N.J. Metropolitan Region
1975-1986
(in millions)



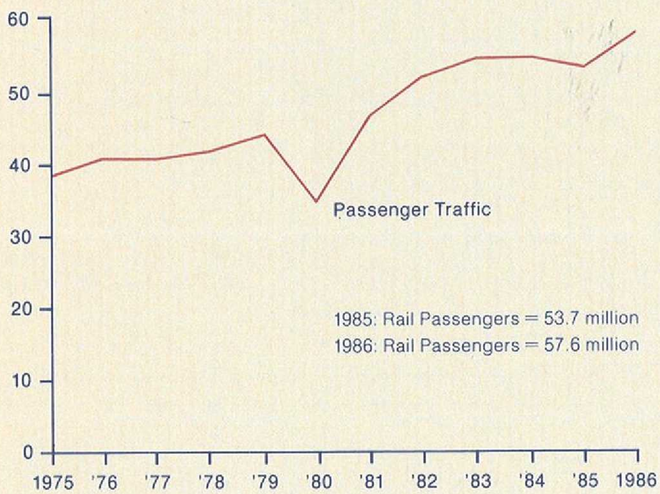
Source: The Port Authority of N.Y.-N.J.
Note: Journal Square Transportation Center opened in 1976

New York City Transit Authority
Bus and Subway Revenue Passenger Traffic
1975-1986
(in billions)



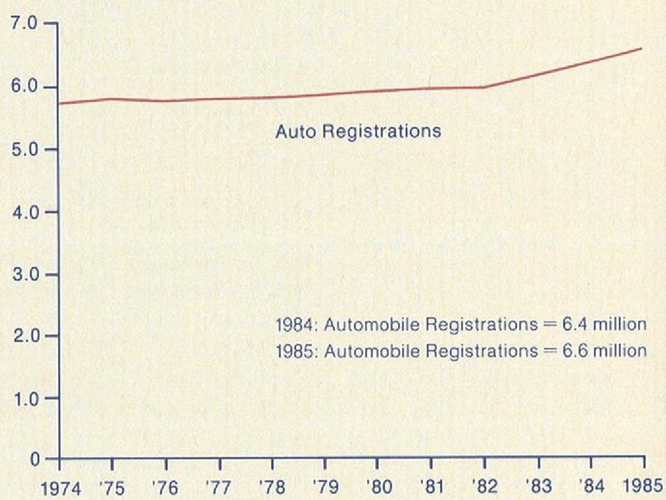
Source: New York City Transit Authority

Port Authority Trans-Hudson Rail Passenger Traffic
1975-1986
(in millions)



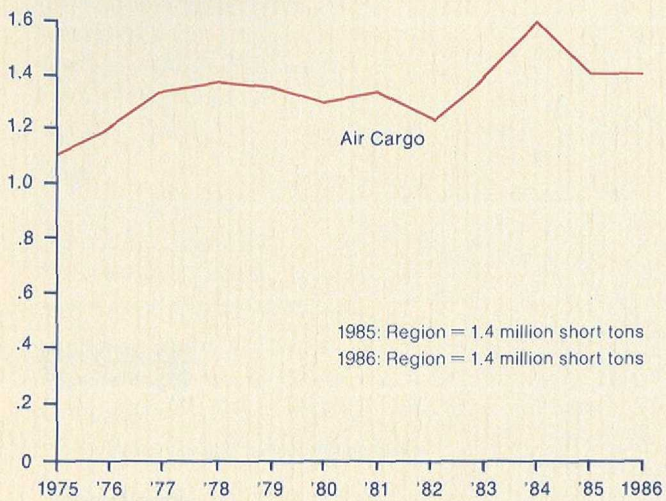
Source: The Port Authority of N.Y.-N.J.
Note: New York City transit strike, April 1 to April 13, 1980
PATH strike, June 12 to August 31, 1980

Passenger Automobile Registrations
N.Y.-N.J. Metropolitan Region
1974-1985
(in millions)



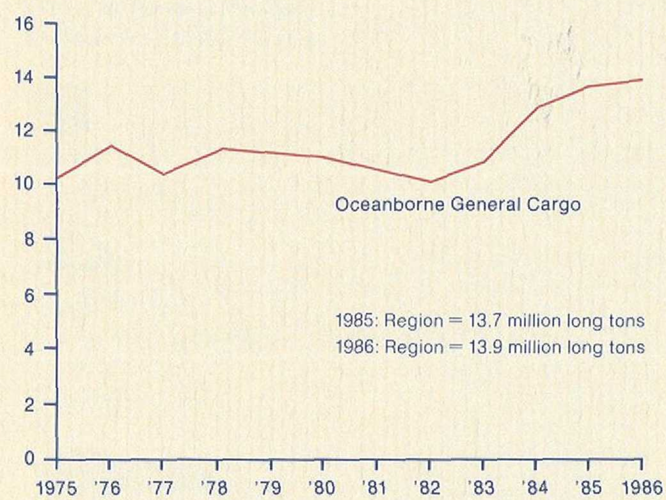
Source: State of New Jersey and New York
Departments of Motor Vehicles
Note: New Jersey reports automobile registrations
on a fiscal year. Calendar year data
were imputed by interpolation

Air Cargo Traffic
N.Y.-N.J. Metropolitan Region
1975-1986
(in millions of short tons)



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

Oceanborne General Cargo
The Port of N.Y.-N.J.
1975-1986
(in millions of long tons)



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

THE PORT AUTHORITY OF NY & NJ

John F. Kennedy International Airport
LaGuardia Airport
Newark International Airport
Teterboro Airport
Downtown Manhattan Heliport
West 30th Street Heliport

Bathgate Industrial Park
Industrial Park in Elizabeth
Industrial Park in Yonkers
Newark South Ward Industrial Park

PATH system
PATH: Journal Square Transportation Center

Brooklyn Marine Terminal
Columbia Street Marine Terminal
Elizabeth Marine Terminal
Erie Basin Marine Terminal (Fishport)
New York City Passenger Ship Terminal
Port Newark
Red Hook Container Terminal
Howland Hook Marine Terminal

Holland Tunnel
Lincoln Tunnel

Bayonne Bridge
George Washington Bridge and Bus Station
Goethals Bridge
Outerbridge Crossing

Port Authority Bus Terminal
New York Union Motor Truck Terminal

The World Trade Center
The Teleport
Newark Legal and Communications Center

1986 Annual Report

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