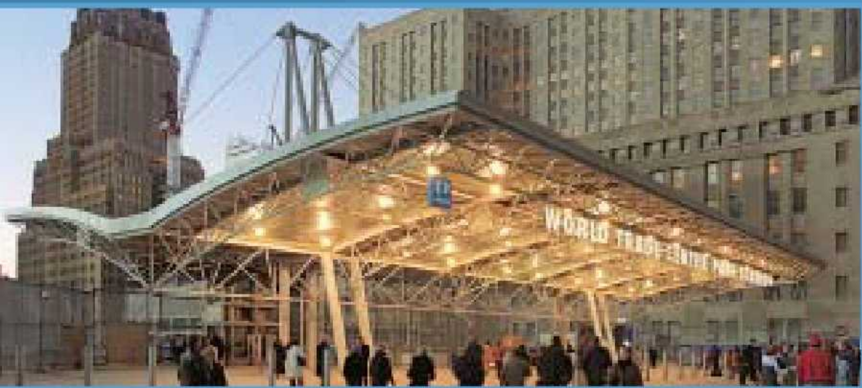
foundations

Comprehensive Annual Financial Report For The Year Ended December 31, 2003



In 2003, important groundwork was laid for the enduring success of both the Port Authority and the region.
Continuing our ongoing vision for the entire region, the literal frameworks and important first steps we implemented over the last twelve months solidify important progress in New York and New Jersey and further our commitment to the community. The work done this year ensures a strong future for us all.

THE PORT AUTHORITY OF NY & NJ


AIRTRAIN
HE PORT AUTHORITY
United Parcel Service

foundations

Building on our vision for the future

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Mission

To identify and meet the critical transportation and infrastructure needs of the bistate region's businesses, residents and visitors: providing the highest quality, most efficient transportation and port commerce facilities and services that move people and goods within the region, providing access to the rest of the nation and to the world, and strengthening the economic competitiveness of the New York-New Jersey metropolitan region.

Facilities and Services

Aviation

John F. Kennedy International Airport
Newark Liberty International Airport
LaGuardia Airport
Teterboro Airport
Downtown Manhattan Heliport
AirTrain Newark
AirTrain JFK

Tunnels, Bridges & Terminals

George Washington Bridge
George Washington Bridge Bus Station
Lincoln Tunnel
Port Authority Bus Terminal

Port Authority Trans-Hudson

PATH Rail Transit System
Journal Square Transportation Center

Economic Development

The Legal Center
The Teleport
Ferry Transportation
Essex County Resource Recovery Facility
Bathgate Industrial Park
Industrial Park at Elizabeth

Holland Tunnel
Bayonne Bridge
Goethals Bridge
Outerbridge Crossing

Port Commerce

Auto Marine Terminal
Brooklyn Port Authority Marine Terminal
  Brooklyn Piers
  Red Hook Container Terminal
Elizabeth-Port Authority Marine Terminal
Port Newark
Howland Hook Marine Terminal
Oak Point Rail Link
Greenville Yard

International Business Development Offices

London
Tokyo
Representatives in
  Hong Kong, Seoul, Shanghai, Singapore

Waterfront Development

Queens West Waterfront Development
The South Waterfront at Hoboken

The New York-New Jersey Region

Area	3,900 Square Miles
Population	17.0 Million
Total Labor Force	8.3 Million
Total Wage and Salary Jobs	7.7 Million
Total Personal Income	$700 Billion (est.)

The New York-New Jersey Metropolitan Region, one of the largest and most diversified in the nation, consists of the five New York boroughs of Manhattan, Brooklyn, Queens, Richmond (Staten Island), and The Bronx; the four suburban New York counties of Nassau, Rockland, Suffolk and Westchester; and the eight northern New Jersey counties of Bergen, Essex, Hudson, Middlesex, Morris, Passaic, Somerset, and Union.

The Honorable George E. Pataki
Governor, State of New York

The Honorable James E. McGreevey
Governor, State of New Jersey

Dear Governors:

In compliance with the Port Compact of 1921, we are pleased to submit to you and the legislatures of New York and New Jersey the 2003 Annual Report of The Port Authority of New York and New Jersey.

More than 40 years ago, the visionary leaders of New York and New Jersey worked together to support the economic vitality of the region by building The World Trade Center and connecting it directly to PATH. Working together once again, the two states and the Port Authority have reclaimed a critical component of what we lost on September 11, 2001, by restoring PATH's essential link to Lower Manhattan.

As originally planned, the Port Authority recommenced PATH service at an improved Exchange Place Station in Jersey City in June 2003. This past November, we reached a truly remarkable goal by opening the temporary PATH station at The World Trade Center site. With this accomplishment, we completed a $566 million project under schedule, reestablished commuter access to the area only 16 months after construction began and set the foundation for the renewal of the region.

Furthering our mission to enhance regional mobility and deliver innovative customer service, the Port Authority launched AirTrain JFK, an 8.1-mile light-rail connection to John F. Kennedy International Airport (JFK) in Queens, which is projected to serve more than 30,000 daily passengers. AirTrain JFK follows AirTrain Newark's ongoing success in providing travelers with fast, reliable access to Newark Liberty International Airport.

In 2003, the Port Authority also solidified our role as the leader in regional aviation by reaching an agreement with the City of New York to extend our operation of JFK and LaGuardia airports to 2050. This follows a similar agreement executed last year with the City of Newark, all of which ensure that the Port Authority will direct the development of airport service for the region well into the future.

With your strong endorsement, the Port Authority protected the communities that surround Teterboro Airport by successfully countering a proposed change in Federal Aviation Administration (FAA) policy that would have allowed large aircraft to land at the facility. The Board of Commissioners unanimously passed a resolution reaffirming our commitment to the restriction, while the Congressional delegations of New York and New Jersey, state and local legislators and community leaders supported the effort at every level. Ultimately, President George W. Bush signed legislation in January 2004 that included a ban on landing large aircraft at Teterboro.

The Port Authority has invested in an ambitious development program aimed at furthering the growth of the region's seaports. Both the agency and our terminal operators have advanced concurrent projects at Port Newark, the Elizabeth-Port Authority Marine Terminal and Howland Hook Marine Terminal that will harness our port operation's considerable potential to function as a powerful economic engine for the region.

The past year witnessed significant physical improvements and extensive state-of-good-repair work at the Port Authority's trans-Hudson bridges, tunnels and bus terminals. Capital investments in these facilities will ensure that our essential infrastructure will serve generations to come.

Overall, the Port Authority achieved significant milestones and made valuable contributions in 2003, surpassing expectations set in the aftermath of September 11, 2001. In the months and years on the horizon, we will apply our vision, expertise and dedication to guide our region in a promising direction and deliver on commitments to the millions of people who live, work, visit and conduct business in New York and New Jersey.

Very truly yours,

Anthony R. Coscia
Chairman

Charles A. Gargano
Vice Chairman

April 22, 2004

Board of Commissioners

Anthony R. Coscia
Partner
Windels Marx Lane & Mittendorf, LLP

Charles A. Gargano
Chairman & Chief Executive Officer
Empire State Development Corporation

Bruce A. Blakeman
Attorney-at-Law
Robert M. Blakeman & Associates

Michael J. Chasanoff
Managing Partner
Chasanoff Properties

Charles Kushner
Chairman
Kushner Companies

Raymond M. Pocino
Vice President/Eastern Regional Manager
Laborers International Union of North America

Anthony J. Sartor
President & Chief Operating Officer
KeySpan Services, Inc.

Henry R. Silverman
Chairman, Chief Executive Officer & President
Cendant Corporation

Jack G. Sinagra
Senior Vice President
Turtle & Hughes Inc.

Origins of the Port Authority

The Port Authority of New York and New Jersey was established on April 30, 1921. It was the first interstate agency ever created under a clause of the Constitution permitting compacts between states with Congressional consent.

The agency's area of jurisdiction was called the Port District, a bistate region generally within 25 miles of the Statue of Liberty. The mandate of the agency was to promote and protect the commerce of the bistate port and to undertake port and regional improvements not likely to be financed by private enterprise or to be attempted by either state alone: a modern wharfage for the harbor shared by the two states, tunnel and bridge connections between the states and, in general, trade and transportation projects to promote the region's economic well-being.

Governance of the Port Authority

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

The twelve Commissioners serve as public officials without remuneration.

The Governors retain the right to veto the actions of the Commissioners. Within the Port District, the Port Authority undertakes projects and activities in accordance with the Port Compact of 1921 and amendatory and supplemental bistate legislation.

The Board of Commissioners appoints an Executive Director to effect its policies and manage day-to-day operations.

David S. Mack
Senior Managing Partner
The Mack Company

Alan G. Philibosian
Attorney-at-Law

Anastasia M. Song
Senior Advisor
Arctas Capital Group

David S. Steiner
Chairman
Steiner Equities Group, LLC

Joseph J. Seymour
Executive Director

Board of Commissioners

Anthony R. Coscia, Chairman[1]
Charles A. Gargano, Vice Chairman

Bruce A. Blakeman
Michael J. Chasanoff
Charles Kushner[1]
David S. Mack
Alan G. Philibosian[2]
Raymond M. Pocino
Anthony J. Sartor
Henry R. Silverman
Jack G. Sinagra
Anastasia M. Song
David S. Steiner[2]

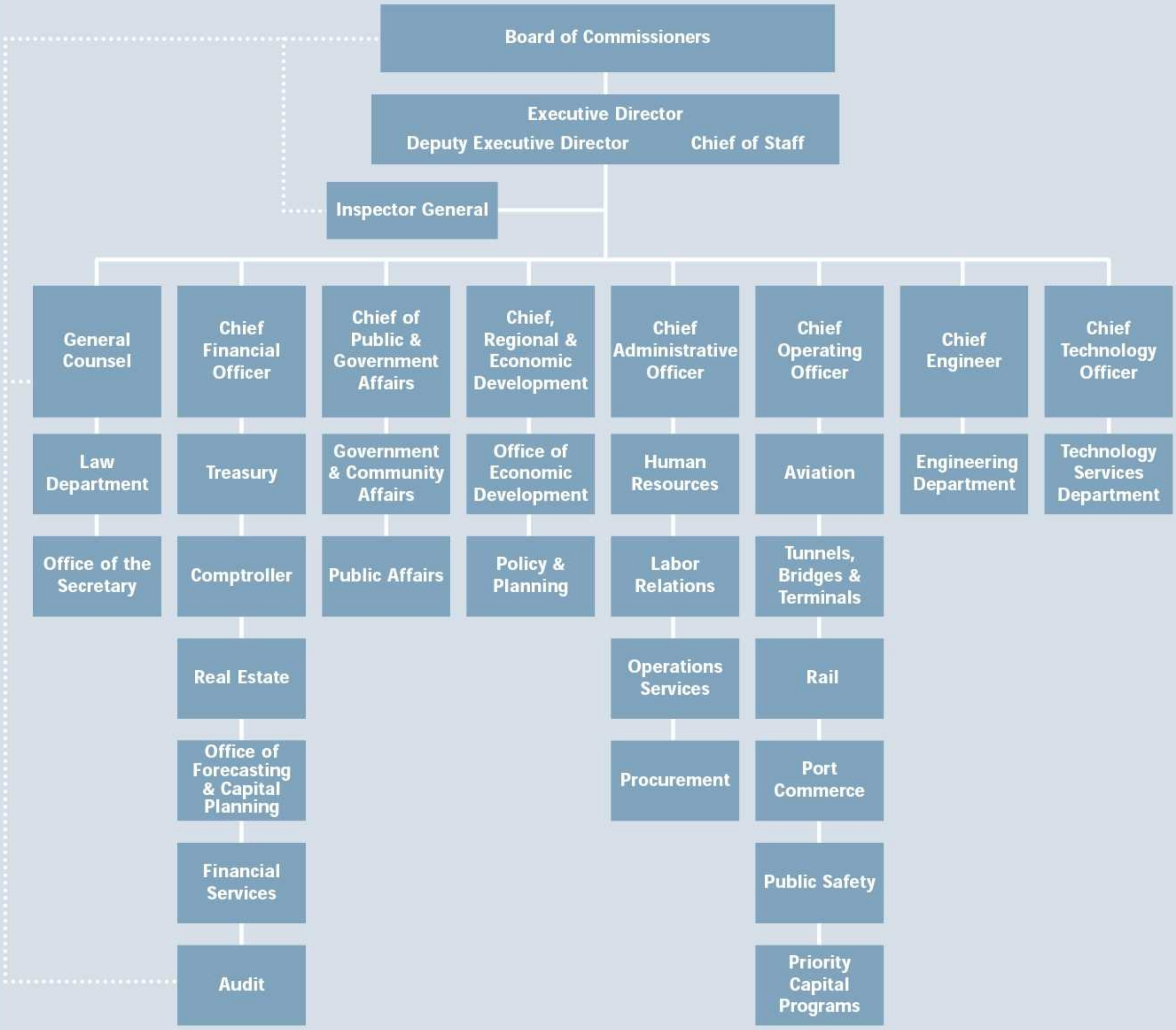
Joseph J. Seymour, Executive Director

Footnotes

1. Commissioner Coscia joined the Board on April 3, 2003, succeeding Commissioner Kushner, who resigned from the Board on February 26, 2003. Commissioner Coscia was elected Chairman of the Board on April 10, 2003.

2. Commissioner Steiner joined the Board on January 22, 2003, succeeding Commissioner Philibosian.

Organization Chart



Officers and Directors

Executive Director	**Joseph J. Seymour**
Deputy Executive Director	**Arthur J. Cifelli** (Acting)
Chief of Staff	**Edmond F. Schorno**
Audit	**John D. Brill**
Aviation	**William R. DeCota**
Chief Administrative Officer	**Louis J. LaCapra**
Chief Engineer	**Francis J. Lombardi**
Chief Financial Officer	**Charles F. McClafferty**
Chief Operating Officer	**Ernesto L. Butcher**
Chief of Public & Government Affairs	**Michael A. Petralia**
Chief, Regional & Economic Development	**A. Paul Blanco**
Chief Technology Officer	**Gregory G. Burnham**
Comptroller	**Michael G. Fabiano**
Financial Services	**Edward L. Jackson**
General Counsel	**Jeffrey S. Green**
Government & Community Affairs	**Arthur J. Cifelli**
Human Resources	**Michael G. Massiah**
Inspector General	**Robert E. Van Etten**
Labor Relations	**Paul D. Segalini**
Office of Economic Development	**Patrick G. Caggiano**
Office of Forecasting & Capital Planning	**Douglas L. Smith**
Office of the Secretary	**Karen E. Eastman**
Operations Services	**Alan I. Rhome**
Policy & Planning	**Cruz C. Russell**
Port Commerce	**Richard M. Larrabee**
Priority Capital Programs	**Anthony G. Cracchiolo**
Procurement	**Cecile O. Pace**
Public Affairs	**Kayla M. Bergeron**
Public Safety	**Charles D. DeRienzo**
Rail	**Michael P. DePallo**
Real Estate	**Michael B. Francois**
Treasury	**Bruce D. Bohlen**
Tunnels, Bridges & Terminals	**Kenneth P. Philmus**

As of March 13, 2004

Letter from the Executive Director

The Port Authority of New York and New Jersey achieved significant goals in 2003 that set the foundation for future growth.

Restoration of PATH service between New Jersey and Lower Manhattan marked a meaningful milestone for the men and women of the Port Authority, who worked around the clock in memory of their colleagues to open the temporary station one month ahead of schedule and just 16 months after construction began. Thanks to their steadfastness, this crucial rail connection is available once again for the tens of thousands of New Jersey residents who work in Lower Manhattan.

Reflecting the deep commitment of Governor George E. Pataki and Governor James E. McGreevey to restore and rebuild the transportation infrastructure of Lower Manhattan, the Port Authority identified projects that will enhance access to Lower Manhattan and The World Trade Center site. Critical among these is The World Trade Center Transportation Hub, for which the Port Authority selected as designers DMJM + Harris and STV Group, Inc., in association with Santiago Calatrava.

Mr. Calatrava and the Port Authority set new standards in transportation design with the 2004 unveiling of a spectacular concept for the hub, one that balances beauty and function. When the hub is completed in 2009, Lower Manhattan's knotted mass-transit network will be untangled for the first time in a century. The hub is scheduled to begin serving passengers in 2006.

An agreement was reached with Silverstein Properties, Inc. and Westfield America, Inc. on the Port Authority's acquisition of development rights to approximately 600,000 square feet of retail space at the site. This acquisition was critical for future development of the WTC and of appropriate retail that will enliven street life in the vicinity.

These actions are important components of the vision articulated for the site in 2003 by Daniel Libeskind in his master plan, developed in cooperation with the Lower Manhattan Development Corporation, New York City, and Silverstein Properties in an unprecedented public process. The end result is a widely accepted redevelopment strategy that provides more open space, offers a large area for the 9/11 Memorial and includes the 1,776-foot Freedom Tower, which will begin to rise this year. With the majestic hub design proposed by Mr. Calatrava, the new World Trade Center will surely take its place as one of the world's greatest architectural achievements.

As we move forward on the renewal of Lower Manhattan, we will never forget the tragedy of September 11, 2001. We carry with us the memory of the brave men and women who gave their lives and labor in honor of the nearly 3,000 people who perished in the attacks, including 84 members of the Port Authority family.

When the Port Authority and the City of New York agreed on an extension to 2050 of Port Authority operation of John F. Kennedy International and LaGuardia airports in Queens, N.Y., it was a proud moment for the agency, which has operated these vital gateways for more than 55 years. The proposal ensures the Port Authority will invest in Kennedy and LaGuardia going forward.

The December opening of AirTrain JFK underscored a commitment to enhance our region's transportation infrastructure. The new rail connection represents a significant part of the $9.4 billion redevelopment that has delivered new terminals, new parking facilities and a more efficient roadway system.

The Port Authority expects to invest approximately $9 billion over the next several years to make capital improvements at the airports, tunnels and bridges, the seaport and PATH. These bistate enhancements emphasize transportation, security and commerce, strengthening services the public deserves.

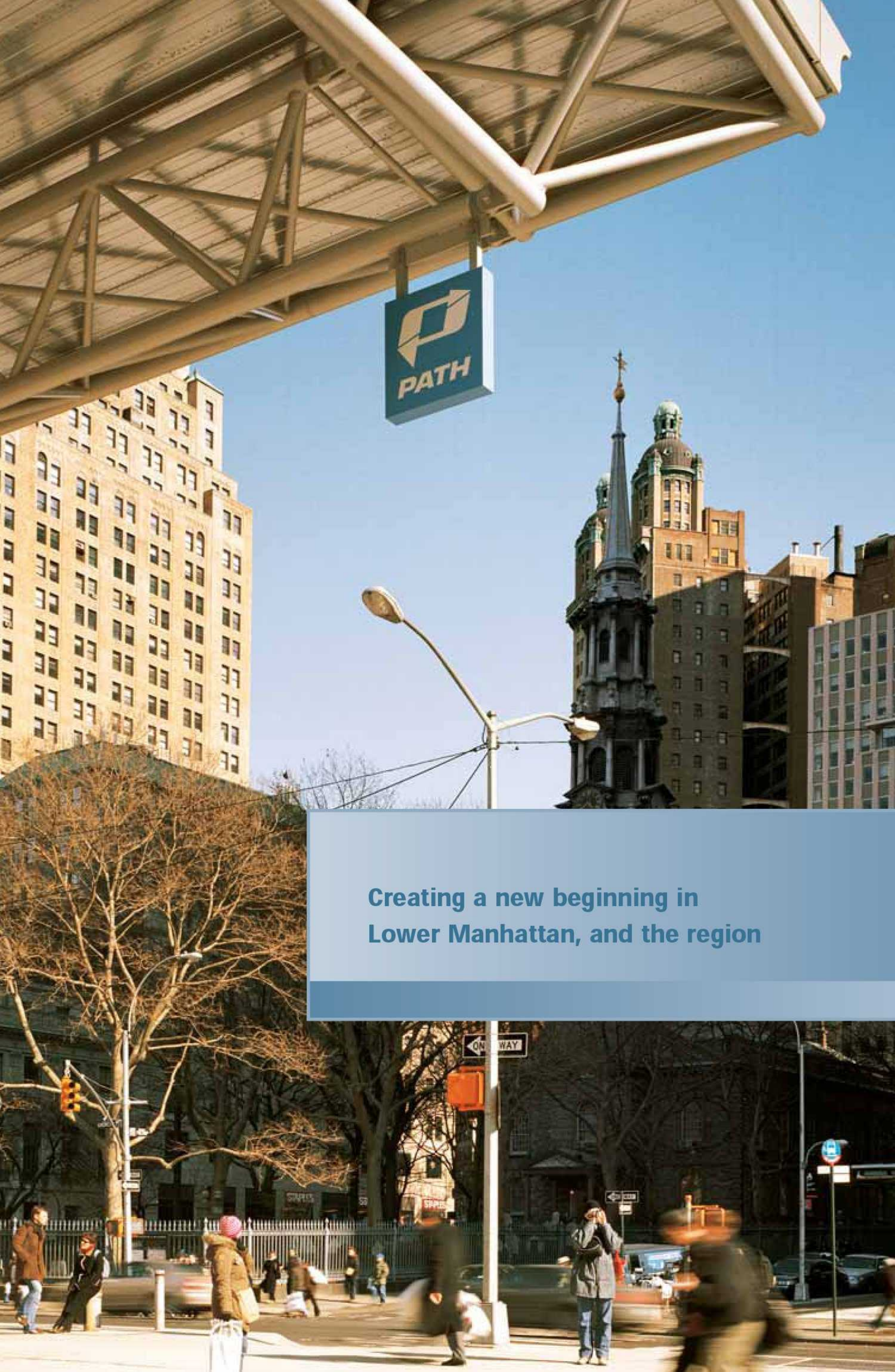
Governors Pataki and McGreevey have made it a priority that the Port Authority maintain the highest level of safety in its daily operations and protect critical regional assets. Our efforts to meet the governors' vital mandates are multi-dimensional and include physical investments, state-of-the-art technologies, and the expertise of the Port Authority Police Department.

The Port Authority's important achievements in 2003 have strengthened the economic viability of the region. We will build on the momentum generated in 2003 to fulfill our essential mission and provide a strong foundation for the well-being of the region now and in the future.

Sincerely,

Joseph J. Seymour
Executive Director

April 22, 2004



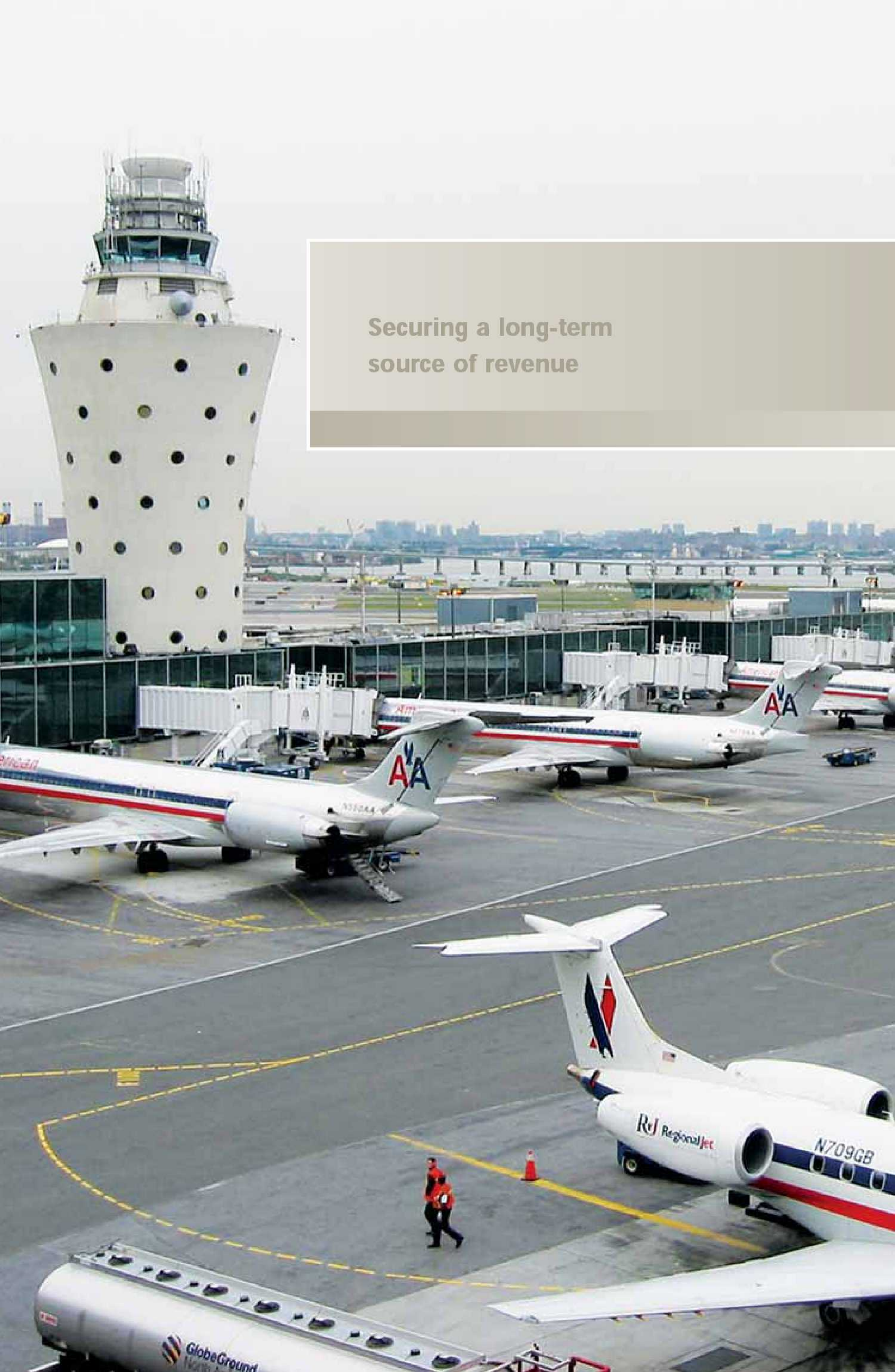
Creating a new beginning in Lower Manhattan, and the region

Undertaking an ambitious task felt deeply in hearts around the world, we approached the first phase of rebuilding Lower Manhattan with respect, inspiration and industriousness, fulfilling our promise to help the community return to full strength. Working with public and private partners, we reopened the Exchange Place Station in Jersey City, N.J. on time on June 29 and The World Trade Center PATH Station ahead of schedule on November 23, marking a new era of commercial and residential revitalization in Lower Manhattan. Our commitment to future economic success begins with the temporary World Trade Center PATH Station, a significant step toward our proposed World Trade Center Transportation Hub, which will provide connections to ferries and subway lines for thousands of daily commuters and visitors beginning in 2006. We selected the Downtown Design Partnership and world-renowned architect Santiago Calatrava to express our vision of this world-class facility. The proposed design reflects the forward thinking, devotion and spirit in which we honor the past and create new promise for the future.

Nov. 23

Restored service to Exchange Place and World Trade Center PATH stations is the first step in renewing a vital community.

Securing a long-term source of revenue



Oct. 15

Supporting future capital investment opportunities, the airport lease extension strengthens the economic health of the region, and this agency.

For as long as flight has been indispensable to travel, the airports in our region have been a mainstay in the local economy. For more than 55 years, we have managed the John F. Kennedy International and LaGuardia airports as supportive neighbors and forward-looking stewards. And now the lease extension, awarded through collaboration with the State and City of New York, allows us to move forward with current projects and to commit, with our airport partners, to future innovations — such as state-of-the-art technology and advanced security in all areas of the airports. With our important presence in the community, our airports currently contribute more than $28 billion in economic activity in the New York metropolitan area and support 265,000 regional jobs. Our contribution to the region will continue to develop as we strengthen our relationship with local communities and enhance our connections with the rest of the world.

Preparing for growing market demands

Living in the New York-New Jersey region has many distinct advantages, one of the foremost being our vital harbor. Our seaport is a substantial source of economic success and environmental guardianship, generating $25 billion annually in local economic activity, supporting 230,000 highly skilled jobs, and employing measures to improve the quality of life throughout the region. As part of a five-year redevelopment effort to ensure future port efficiency and competitiveness, we completed the first phase of an expanded ExpressRail on-dock rail facility. Featuring a rail overpass at Elizabeth-Port Authority Marine Terminal to eliminate conflict among vehicular traffic and trains, ExpressRail is just part of our effective

Mar. 31

Enhanced ExpressRail service spearheads an inland distribution network that will keep our port competitive and the regional economy thriving.

Port Inland Distribution Network that speeds cargo to inland markets while reducing reliance on trucks to move cargo. We also launched Albany ExpressBarge℠, a cost-efficient and environmentally friendly solution to get cargo closer to destinations in the Northeast and Canada. These efforts will allow our port's potential to expand quickly as consumer demand grows, for the benefit of everyone who lives within our reach.


Making vital connections
more efficient

Jan. 9

Advanced *E-ZPass*℠ options begin a coordinated effort to improve the flow of vehicular traffic throughout the region.

In this growing economy, millions of commuters rely on our comprehensive transportation network every day. For this reason, we are dedicated to facilitating the efficient movement of vehicles and ensuring traffic safety at our bridges and tunnels. For improved customer service, we introduced three new 25-mph *E-ZPass*℠ toll lanes at the Outerbridge Crossing that allow motorists to pass through at more efficient speeds — an enhanced consumer convenience that we expect to introduce at more facilities in the future. In addition, we partnered with the New York City Department of Transportation on key initiatives to improve traffic patterns at the Lincoln Tunnel in order to reduce congestion in New York City streets. Moving forward, we will continue to look for thoughtful and innovative solutions that anticipate the needs of commuters, travelers and visitors throughout the region.


AIRTRAIN


To PATH Trains

2003 Year in Review

A Year of Progress, Accomplishment and Promise

Although its full impact has yet to be realized, 2003 was an historical year for The Port Authority of New York and New Jersey. Guided by the vision of New York Governor George E. Pataki, New Jersey Governor James E. McGreevey and the Port Authority's Board of Commissioners, and strengthened by our partnerships, the agency achieved important milestones in 2003 that reaffirm our dedication to the bistate region today, and set in motion far-reaching objectives that will help bring about a more prosperous tomorrow.

It was a year in which we again made substantial contributions to the region, while ensuring that safety and security continue to be our highest priorities. Whether it was meeting critical transportation needs, providing vital access for commerce and travel, or enhancing the region's global competitiveness, the Port Authority applied proven experience to serve the region.

From Port Newark to John F. Kennedy International Airport, from the Journal Square Transportation Center to the George Washington Bridge, the Port Authority made substantial gains on several landmark projects. Perhaps most significantly — and working in concert with our private and public sector partners — we established the groundwork for a grand vision to rebuild Lower Manhattan. These accomplishments set the foundations upon which we will build future successes.

Throughout 2003, the Port Authority advanced the agency's largest-ever capital improvement program to strengthen our ability to serve transportation and commerce needs well into the future. A significant portion of this investment program went to a critical project for Lower Manhattan: $566 million to quickly restore PATH service to The World Trade Center site. At year-end, the Federal Transit Administration authorized a grant for a permanent PATH terminal as part of The World Trade Center Transportation Hub, a project expected to total $2 billion.

The entire Port Authority capital improvement program of almost $9 billion is helping the agency be more responsive to forecasted demand, while ensuring that the New York-New Jersey region retains

Our achievements in 2003, from meeting vital transportation needs to providing economic opportunity, lay the foundation for a more prosperous future.

its prominence as one of the world's greatest. In addition, our long-term capital plan reflects the critical priority of improving security for everyone who travels in this region. Toward that end, we have earmarked more than $500 million to reinforce security systems and improve public safety at all of our land, sea and air facilities.

With sound financial management, operational excellence and well-planned investments, the Port Authority again demonstrated outstanding leadership and service to the region.

New Heights in Aviation Operations, Service and Standards

Under the Port Authority's expert management, John F. Kennedy International, Newark Liberty International and LaGuardia airports continue to be vital transportation centers, world-class facilities and indispensable economic engines.

Newark Liberty International Airport, the region's earliest major commercial airport, celebrated its 75th year of service in 2003. Under Governor McGreevey's leadership, the Port Authority is nearing completion of a $3.8 billion redevelopment initiative at the airport. Public-private cooperation has brought airport-wide improvements, including two new parking garages, the AirTrain Newark connection to the Northeast corridor rail line, new signage, better terminal facilities and roadway and runway enhancements. This key hub in our regional airport network remains a significant contributor to the regional economy, supporting approximately 25,000 on-airport jobs, with an additional 85,000 jobs derived from its activity in such important industries as tourism and package delivery.

With a 2002 agreement between the Port Authority and the City of Newark to extend the agency's lease of the airport through 2065, the Port Authority will ensure Newark Liberty remains a cornerstone of economic strength for the region.

In recognition of our successful stewardship of the region's airports, New York State and City officials agreed to an extension of the lease for Port Authority operation of Kennedy International and LaGuardia airports to 2050. This agreement will provide a sound financial foundation and management structure for long-term capital investment and growth at the airports.

As part of the agreement, New York City will have a role in the oversight of the Queens airports. A joint Airport Board of City and Port Authority officials will review airport standards, operations and performance, to ensure that Kennedy and LaGuardia continue to successfully advance strong customer service and promote the most important trade and travel market in the world.

The New York airports have surged under the Port Authority's management, in large measure because the Port Authority and its airport partners invested more than $11 billion in improvements to ensure the airports' viability. Today, Kennedy and LaGuardia provide approximately 50,000 on-airport jobs and more than 265,000 regional jobs.

The Port Authority continues to improve the airport experience for customers. On December 17, the Centennial of the Wright Brothers' historic flight, Governor Pataki and the Port Authority launched AirTrain JFK, the promised light-rail connection to Kennedy International Airport. Using brand-new and spacious terminals designed and built by the Port Authority at Howard Beach and Jamaica Station, the 8.1-mile system connects airport travelers and employees with the Metropolitan Transportation Authority's (MTA) Long Island Rail Road and MTA New York City Transit subway lines and local buses. As added value for travelers and airport employees, rides between airport facilities on AirTrain JFK are free.

AirTrain JFK is already recognized as a fast, easy and affordable rail link. More than 30,000 passengers a day are expected to use AirTrain JFK in its first year of service, which would make it the nation's second busiest airport access system. To further the concept of a "one-seat ride," the Port Authority is participating in feasibility studies for connections from Downtown Manhattan to both Kennedy International and Newark Liberty International airports.

AirTrain JFK represents a major component of Kennedy's renaissance — a comprehensive $9.4 billion investment initiative underway since the 1990s. This unprecedented redevelopment by the Port Authority and our private-sector partners has transformed the airport with new terminals, new parking garages, a more efficient roadway system and award-winning signage that has significantly reduced congestion.

For more than 30 years, the Port Authority's 100,000-pound plane limit at Teterboro Airport has been a reliable safeguard to support the facility's designation as a reliever airport. In response to a proposed revision to Federal Aviation Administration (FAA) policy that would have allowed planes as large as

AirTrain JFK is projected to serve more than 30,000 passengers a day, making it one of the busiest airport rail systems in the nation.


HOTEL R


FOOD & SHOPS
LaGuardia MarketPlace

Boeing 737s to land at the airport, the Port Authority's Board of Commissioners joined with local residents in opposing the change. With support for aircraft restrictions from Governor McGreevey, the Congressional delegations of New Jersey and New York, state and local legislators, and community leaders, President George W. Bush signed FAA funding legislation in 2004 that included a one-year ban on large aircraft landing at the facility.

Concessions at all three airports once again received top honors in the prestigious 2003 *Airport Revenue News* "Best Concessions" competition, leading all U.S. airports in total awards. For the second time in three years, LaGuardia captured first place in the Airports Council International "Excellence in Airport Concessions" competition. The Central Terminal Building — competing against more than 20 major North American airports — took top prize for Best Food and Beverage Program.

Air cargo operations continue to provide substantial economic benefits, handling 25 percent of the nation's air imports and supporting 85,000 regional jobs. In 2003, the Port Authority opened new, fully modern cargo buildings at Newark Liberty and Kennedy. The Newark Liberty facility, a $33.4 million Port Authority investment, expands warehouse space to 1.45 million square feet. At Kennedy, two new buildings totaling 435,000 square feet provide space for four major tenants.

Following its successful introduction at Kennedy in 2002, *E-ZPass Plus*℠ became available at all public parking lots at LaGuardia and almost all public parking lots at Newark Liberty in 2003. This innovative, automated system allows customers to pay for parking by using *E-ZPass*℠ technology.

Building upon our commitment to put the safety and well-being of our customers first, the Port Authority launched another major effort to enhance security with the first phase of a $125 million security improvement program at the region's airports. This new initiative includes design of a comprehensive perimeter surveillance and intrusion detection system, new deterrence systems for unauthorized entry into secure areas, and other state-of-the-art technologies.

Staffing all of our facilities with the best-trained police force continues to be among our most important priorities. A new class of approximately 100 officers joined the ranks of the Port Authority Police last year. More than 500 cadets have successfully completed training since September 11, 2001.

Air cargo operations continue to provide substantial opportunities for residents and businesses, handling 25 percent of the nation's imports and supporting 85,000 regional jobs.

Landmark Achievements for PATH and the Community

In 2003, the Port Authority's $566 million Downtown Restoration Program exceeded key targets, affirmed new directions and took two major leaps toward a revitalized Lower Manhattan with the reopening of PATH stations at Exchange Place in Jersey City and at The World Trade Center site.

In June, as originally planned, we restored service to an improved Exchange Place Station. And on November 23, one month ahead of schedule and just 16 months after construction began, Governor McGreevey, and New York City Mayor Michael R. Bloomberg joined the Port Authority in opening a temporary World Trade Center PATH Station, reestablishing a critical transportation link that was severed by the September 11, 2001, terrorist attacks.

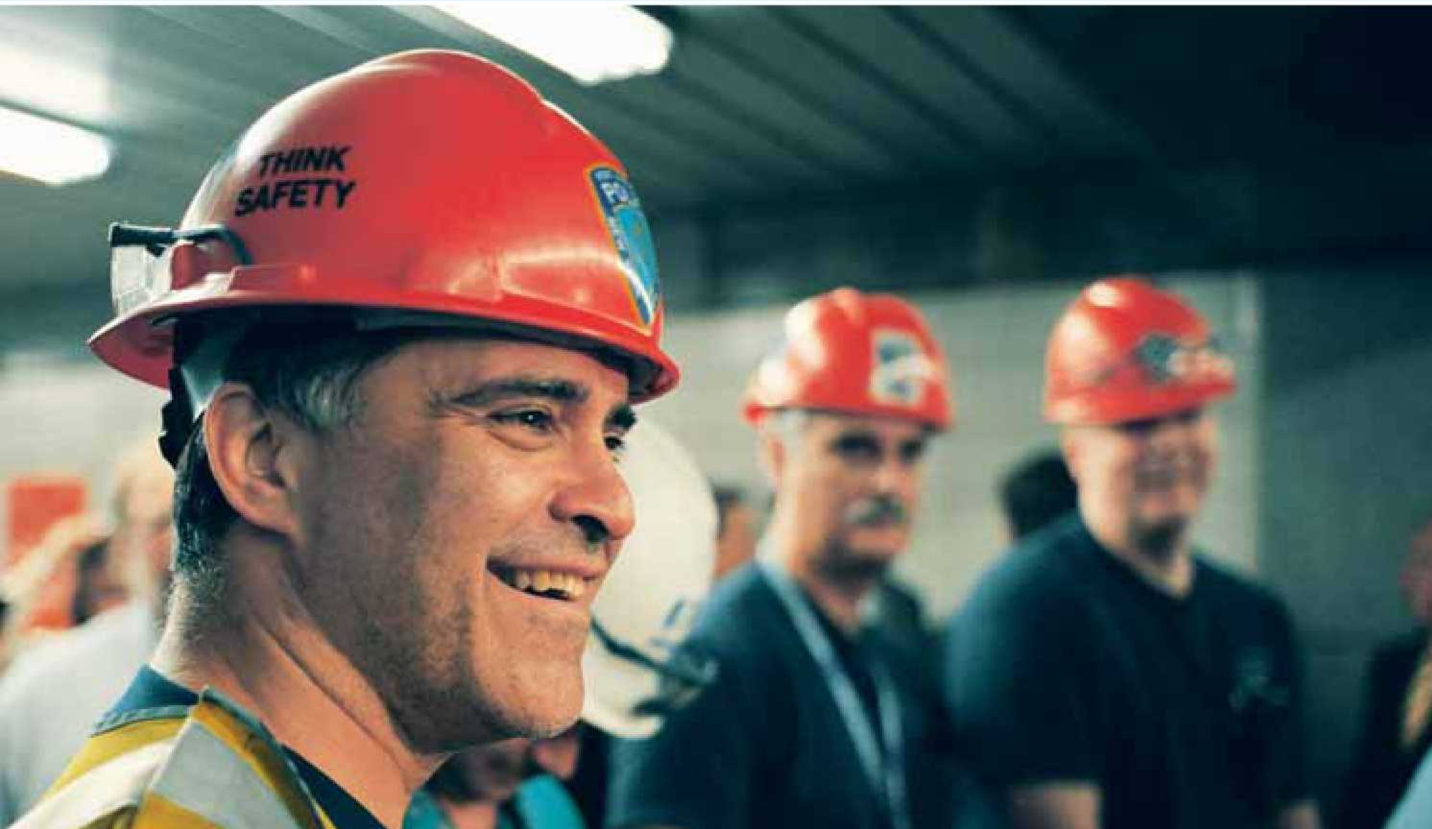
The majority of work at Exchange Place involved innovative design and construction of new crossover tunnels, along with new track work, to create a terminal station. The two tunnels under the Hudson River — each one mile in length — between Exchange Place and The World Trade Center site were flooded, damaging all of PATH's infrastructure except for the tunnels' structure, beyond repair. By early summer 2003, the removal and replacement of all tracks, power, signal system, lighting, cables and other equipment was completed.

In addition, the station's platforms were extended to accommodate 10-car trains, providing operational flexibility to facilitate PATH service while The World Trade Center Transportation Hub is built. The work to reopen the station and install the new crossover switches required an investment of $83 million by the Port Authority and $87 million in Federal Emergency Management Agency (FEMA) grants.

The temporary station at The World Trade Center site fully restores all PATH routes that the Port Authority operated prior to September 11, 2001. The station has become the busiest in the PATH system, with an average weekday ridership of 30,000, significantly exceeding expectations.

With nearly a quarter of all the people who work in Lower Manhattan coming from across the Hudson River and millions of square feet of downtown office space up for lease renewals in the next few years, the Port Authority has identified more than $2 billion in projects around The World Trade Center site to enhance transportation access. Critical among these is The World Trade Center Transportation Hub, to which end the agency selected the respected architectural and engineering firm DMJM + Harris and STV Group, Inc., in association with renowned architect Santiago Calatrava, as designers of a world-class facility. A new vision in transportation design was realized with the January 2004 unveiling by Mr. Calatrava and the Port Authority of a soaring concept for the hub that features glass-and-steel wings rising up to 150 feet.

Drawing upon our distinguished engineering heritage, we restored critical PATH train service between the Exchange Place and World Trade Center PATH stations in record time.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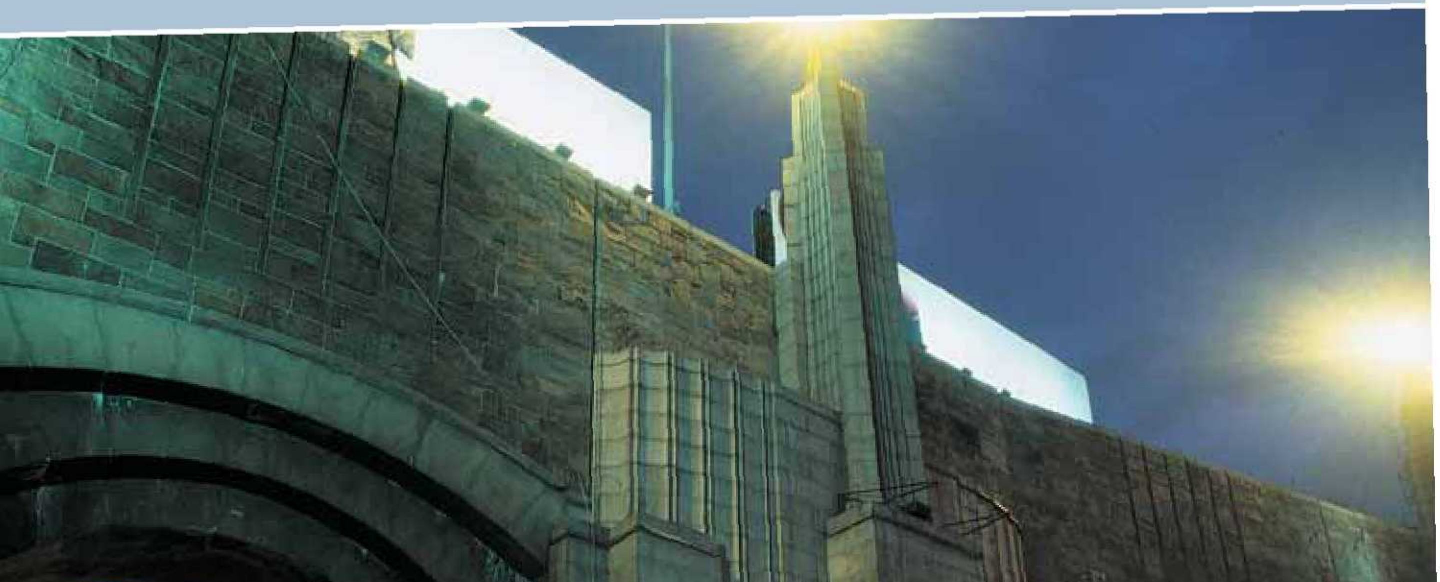
SAFETY


35
20
STAY
IN
LANE

When completed in 2009, the proposed hub will feature a permanent PATH terminal to serve tens of thousands of daily commuters and millions of annual visitors to The World Trade Center Memorial. A pedestrian concourse will provide underground connections to New York City subway stations on the 1/9, R/W and E lines, as well as connections to multiple lines at the MTA's proposed Fulton Street Transit Center. The concourse will also have space dedicated to retail development. The hub's design completes the vision of Daniel Libeskind's master plan for the site, skillfully complementing the designs for the 1,776-foot Freedom Tower and the Memorial. The World Trade Center Transportation Hub has been approved for a $1.7 billion grant from the Federal Transit Administration (FTA). The Port Authority will provide $300 million in funding as a local share of the project.

The Port Authority is currently conducting an environmental review of the hub, including the permanent PATH terminal. As part of the agency's and Governor Pataki's ongoing commitment to environmental excellence, we are looking to incorporate environmentally-friendly technologies, where practical, into the hub's design and construction.

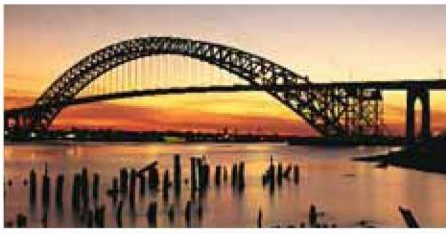
Bridge and Tunnel Innovations that Enhance Efficiency

At the Port Authority's tunnels and bridges, we balanced the need for mobility and security by renewing aging infrastructure, removing operating restrictions, improving customer service and safeguarding critical transportation assets.

Working in partnership with the New York City Department of Transportation (DOT), New York City Police Department, municipal agencies and local communities, the Port Authority has reduced delays and improved traffic flow during evening rush hours for New Jersey-bound Lincoln Tunnel motorists by directing more automobiles to the Lincoln Tunnel Expressway and eliminating multiple merges. The new traffic pattern also dedicates more direct approaches for New Jersey-bound buses serving some 70,000 commuters each evening. This creative program has reduced evening delays by 10 to 15 minutes.

In November, a new exit was opened ahead of schedule at the Holland Tunnel's New York Rotary. The improvement routes southbound and eastbound traffic to different exits, reducing congestion and enhancing pedestrian safety. In addition, the Port Authority began an ongoing pilot program to allow 102-inch wide buses to use the tunnel. The new operating program continues the highest levels of traffic safety, while allowing bus companies to use new industry-standard wide buses for service to Lower Manhattan.

In cooperation with local partners, we introduced a new traffic pattern at the Lincoln Tunnel, saving commuters 10 to 15 minutes during peak travel times.



In cooperation with the New York City DOT, the Port Authority lifted the 6 a.m. to 10 a.m. weekday ban on single-occupant autos at the Holland Tunnel beginning in mid-November. The Port Authority joined DOT and the MTA Bridges and Tunnels Authority in enforcing the restriction at the bridges and tunnels to Lower Manhattan following the September 11, 2001, terrorist attacks.

We made strides in improving mobility and convenience for motorists by implementing the first 25-mph *E-ZPass*℠ lanes at the Outerbridge Crossing, helping *E-ZPass*℠ customers save time and reducing congestion at staffed toll lanes. The 25-mph lanes will be implemented at the Goethals Bridge and all George Washington Bridge toll plazas in 2004.

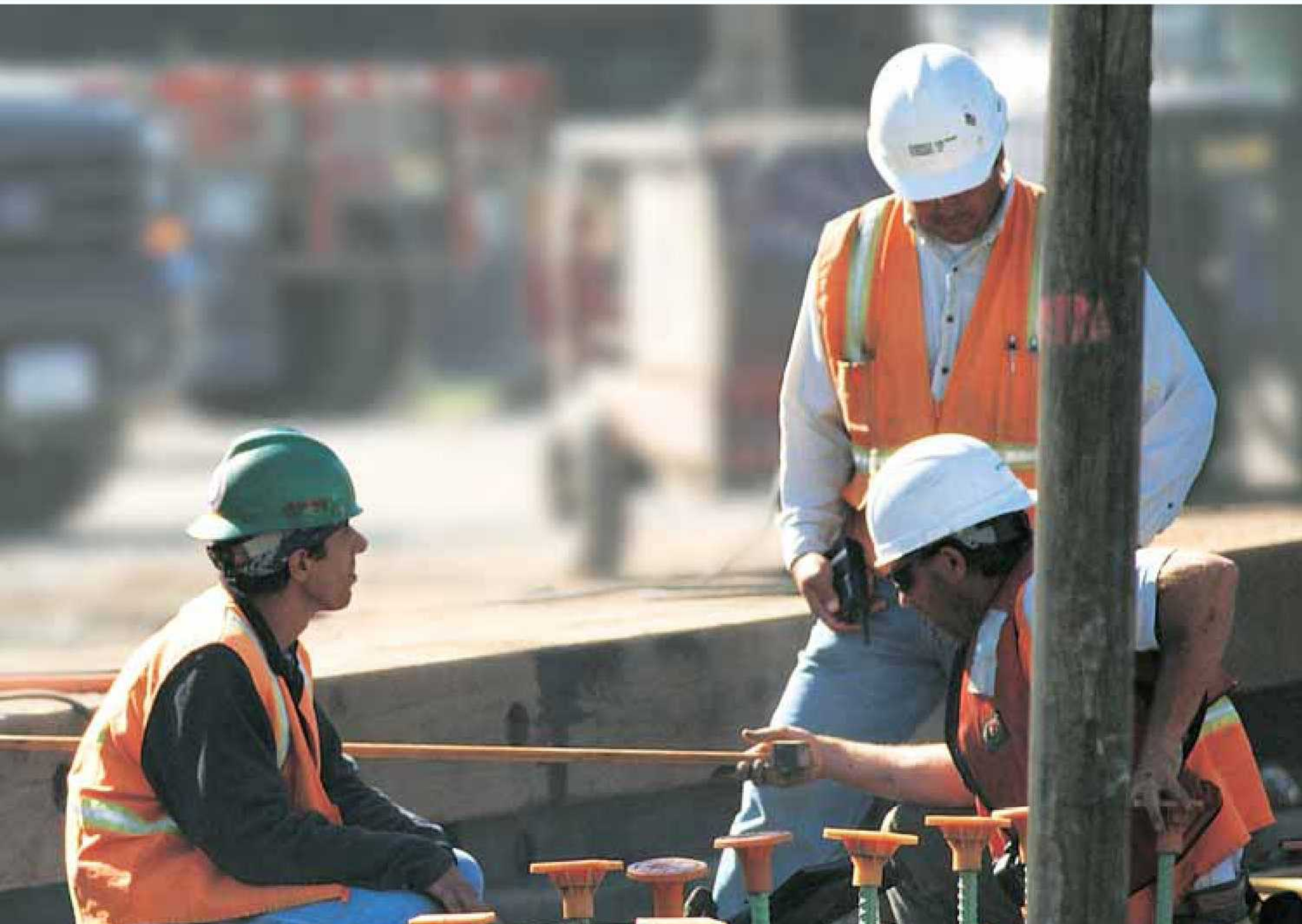
Demonstrating our commitment to maintaining the structural integrity of the interstate crossings, the Port Authority took a major step on the future of the Goethals Bridge by seeking proposals from experienced environmental consultants interested in preparing an environmental review and evaluating alternatives to upgrading the 75-year-old bridge. The $47 million environmental review program is expected to last approximately three years and will include extensive opportunities for public comment.

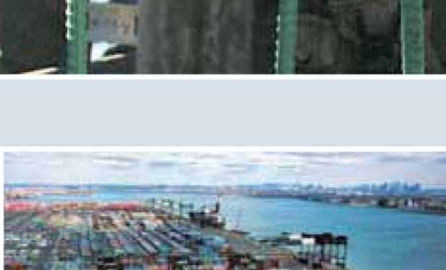
The Port Authority was awarded more than $110 million in grants under FEMA's Hazard Mitigation Grant Program for security projects at our tunnels, bridges and terminals. This amount represents an unprecedented level of funding for the Port Authority, encompassing projects such as the expansion of Intelligent Transportation Systems to the Lincoln and Holland Tunnels, which will enhance our ability to identify and respond to security incidents.

Region-wide Port Improvements Anticipate Global Demand

With more than 100 million customers within a day's reach of the Port of New York and New Jersey, businesses are more reliant than ever on the efficient movement of goods. To ensure our seaport will meet the forecasted needs of the marketplace, the Port Authority and our container terminal operators made progress on several redevelopment projects at Port Newark and the Elizabeth-Port Authority Marine Terminal in New Jersey. The Port Authority began work on a project that will further improve traffic flow through Port Newark and Elizabeth. Reconfiguration of a key intersection and conversion of Corbin Street in Elizabeth to a two-way thoroughfare will prepare the area for construction of a new, modern gate entry complex at the reconfigured Maher Terminal in Elizabeth.

Significant port redevelopment projects strengthen both the region's economic competitiveness and the port's position as a leading shipping destination.





At Howland Hook in Staten Island, N.Y., the Port Authority completed the southerly 200-foot extension of the existing wharf, the first step to creating a 3,000-foot long deepwater berth. Work also began on construction of a 39-acre intermodal ship-to-rail terminal on the "Port Ivory" property, east of the existing container terminal, to serve Howland Hook. In conjunction with this project, the Port Authority will construct a connection between the Staten Island Railroad and the Conrail "Chemical Coast Line" in Elizabeth, just across the Arthur Kill from Howland Hook. When both projects are completed, Howland Hook and Staten Island will benefit from direct freight rail service for the first time in more than a decade.

In order to maintain the port's position as the premier East Coast shipping destination with the ability to serve many of the world's largest containerships, the Port Authority and the U.S. Army Corps of Engineers advanced several major channel-deepening projects in 2003. Work began on the final stage of the Army Corps' deepening of the Kill Van Kull/Newark Bay Channels from 40 feet to 45 feet to provide critical access to the Port Newark and Elizabeth-Port Authority marine terminals. The Port Authority is also the local sponsor of a project, which began in 2003, to deepen the Arthur Kill Channel between the Kill Van Kull confluence and Howland Hook from 35 to 41 feet.

As part of our ongoing commitment to the environment, the Port Authority continued to apply environmentally sound and innovative practices to our dredging operations. Now, nearly 100 percent of all dredged material is beneficially used throughout the region, from remediating brownfields to creating fish and other marine habitats.

Amid an extensive capital construction program, the Port of New York and New Jersey once again experienced significant increases in cargo volumes during 2003. Container volumes at all facilities rose nine percent in 2003 with a total of 2,818,557 loaded twenty-foot-equivalent (TEUs) container units moved through the port. Exports rose 11.6 percent while imports increased by 6.4 percent over 2002 volumes.

The port's on-dock rail business set a new record with 232,867 lifts, a 1.1 percent increase over 2002. Strong business from Canada (up 17 percent over 2002) contributed to the rise, along with the new Port Newark rail facility, which completed its first full year of operation with more than 25,000 lifts. Because on-dock rail capabilities are essential to rapid and efficient inland distribution, we are developing more on-dock opportunities. At Port Newark/Elizabeth, a ceremonial first spike was driven by Governor McGreevey

Strong business from Canada helped set new records for on-dock rail movement in the first full year of operation for the Port Newark rail facility.

to inaugurate construction of the new ExpressRail intermodal rail terminal. When completed, the container transfer facility will have a capacity of up to one million container lifts per year.

In April, the Port Authority, the Port of Albany and a private barge operator inaugurated service on the Albany ExpressBarge℠. This container barge service is part of the Port Authority's concept of a Port Inland Distribution Network, designed to speed the flow of goods between the port and inland markets, while reducing highway truck traffic.

The Port Authority is meeting other global challenges by enhancing security at all of our maritime facilities. In 2003, enhancements included comprehensive, port-wide security audits, thorough surveys of all port tenants, and the installation of closed-circuit TV systems at the New York and New Jersey marine terminals. The agency also completed an Operations Control Center to improve security monitoring and emergency response.

Economic and Commercial Initiatives to Advance the Region

As part of our commitment to the region's quality of life, the Port Authority pursued several important transportation, redevelopment and economic development projects.

Building upon our position as a leading transportation agency, we expanded our role in developing and enhancing regional ferry transportation. This effort included designing a new permanent ferry terminal to accommodate increased traffic to Battery Park City in Lower Manhattan, investigating service to Lower Manhattan from LaGuardia and Kennedy airports and Staten Island's South Shore, and providing financial support, along with the FTA and NJ Transit, for the restoration of the Historic Hoboken Ferry Terminal.

For local communities, the Port Authority advanced mixed-use, public-private waterfront improvement projects in both New Jersey and New York. At the South Waterfront in Hoboken, N.J., a 470,000 square-foot office building and 526-unit residential building transformed unused waterfront on three new city blocks. A second 470,000 square-foot office building was completed and occupied in 2003. In addition, pre-development agreements were executed with two developers to build a 200,000 square-foot, 275-room hotel and a 450,000 square-foot office building on the waterfront site.

At Queens West, the waterfront development site on 74 acres of land at Hunters Point in Long Island City, N.Y., a development deal was closed for construction of 3,200 residential units in seven buildings at the

northern end of the development. With New York City's designation by the U.S. Olympic Committee as a U.S. Candidate City for the 2012 Olympic Games, the Port Authority-owned property at the southern end of Queens West has been identified as a possible site for the Olympic Village. Final selection of the host city for the 2012 Games will be made in 2005.

We awarded more than $1 billion in construction contracts, an all-time high for the agency, surpassing the record set in 2002. Our purchasing awards totaled $730 million, a 61 percent increase over 2002 and the largest yearly amount awarded to date. Under the Port Authority's minority, woman-owned and small business enterprise program (M/W/SBE), $192.3 million in construction, goods and services and architectural and engineering contracts were awarded in 2003. The total impact in the New York-New Jersey region of this M/W/SBE program is estimated at creating 1,660 jobs, more than $73 million in wages and $313 million in economic activity.

Toward the Future

The Port Authority has embarked on an extraordinary period in our distinguished history, combining proven leadership and forward-thinking innovations within our core business. The agency is dedicated to enduring partnerships, customer service and economic prosperity — principles that reflect our strategic planning as well — and remains exceptionally well positioned to deliver services and honor commitments to the millions of people who live, work, visit and conduct business in New York and New Jersey. Building on the momentum we've gathered in recent years — and accelerated in 2003 — to bring about valuable transportation solutions, we are taking steps in 2004 to focus on our financial performance. Reinforcing our long-term financial strength will ensure that the Port Authority has the ability in the years to come to fulfill an agenda that is so critical to the well-being of the region. With solid foundations set in 2003, we will continue to use our vision and expertise, fully dedicated to keeping the bistate region moving forward.

Looking ahead, we're focusing on financial performance in 2004 in order to continue our commitment to the region's well-being and long-term prosperity.

THE PORT AUTHORITY OF NY & NJ
225 Park Avenue South, New York, NY 10003-1604

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

The Consolidated Financial Statements of The Port Authority of New York and New Jersey (including its wholly-owned subsidiaries and affiliated entity) as of and for the years ended December 31, 2003 and December 31, 2002, are enclosed. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation in the Consolidated Financial Statements rests with management of the Port Authority. Management's Discussion and Analysis ("MD&A") of the Port Authority's financial performance and activity provides a narrative introduction, overview, and analysis to accompany the Consolidated Financial Statements and is supplemental information that is required by accounting principles generally accepted in the United States of America ("GAAP"). The Statistical Section provides statistical information with respect to facility traffic and is also required by GAAP. Schedules A, B, and C have been prepared pursuant to the requirements of law and Port Authority bond resolutions and are not intended to be a presentation in conformity with GAAP. Schedules D, E, and F are supplementary information presented for purposes of additional analysis, and are not a required part of the Consolidated Financial Statements. To the best of my knowledge and belief, such financial and other information set forth in the Consolidated Financial Statements is accurate in all material respects and is reported in a manner designed to present fairly the Port Authority's net assets, changes in net assets, and cash flows in conformity with GAAP.

On the basis that the cost of internal controls should not outweigh their benefits, the Port Authority has established a comprehensive framework of internal controls to protect its assets from loss, theft, or misuse, and to provide reasonable (rather than absolute) assurance regarding the reliability of financial reporting and the preparation of the Consolidated Financial Statements in accordance with GAAP.

A firm of independent auditors is retained each year to conduct an audit of the Consolidated Financial Statements in accordance with auditing standards generally accepted in the United States of America. The goal of the independent audit is to provide reasonable assurance that the Consolidated Financial Statements are free of material misstatement. The audit includes an examination, on a test basis, of the evidence supporting the amounts and disclosures in the Consolidated Financial Statements, an assessment of the accounting principles used and significant estimates made by management, as well as the overall presentation of the Consolidated Financial Statements. In planning and performing their audit, the independent auditors gave consideration to the Port Authority's comprehensive framework of internal controls in order to determine auditing procedures for the purpose of expressing an opinion on the Consolidated Financial Statements. The independent auditors' report is presented as the first component in the financial section following this letter.

The engagement of the independent auditors also includes an examination, based on federally mandated standards, of the Single Audit Act of 1996 and the U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments and Non-profit Organizations," designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditors to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements involving the administration of federal awards.

This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it.

Profile of the Port Authority

The Port Authority is a municipal corporate instrumentality and political subdivision of the States of New York and New Jersey, which was established in 1921 to provide transportation, terminal, and other facilities of commerce within the Port District, an area of about 1,500 square miles in both States centering about New York Harbor. The Port Authority raises the funds necessary for the improvement, construction, or acquisition of its facilities generally upon the basis of its own credit. It has neither the power to pledge the credit of either State or any municipality nor to levy taxes or assessments.

The Port Authority maintains an infrastructure of financial systems to record the financial results of operations and provide an audit trail to be used in a review of accountability.

The financial planning process integrates an annual budget process with multi-year forecasting projections. Through the budget process, staff identifies strategic, financial and operational issues that affect resource allocations; sets forth an expenditure plan for the year that balances priorities across all agency lines of operation; and provides alternate financial scenarios of proposed operating and financial arrangements and their impact on the agency's financial position. Each new budget is separately considered and approved by the Board of Commissioners, although such approval does not in itself authorize specific expenditures, which are authorized from time to time by, or as contemplated by, other specific actions of the Board of Commissioners.

The approved budget becomes a mechanism that facilitates the systematic review of program expenditures to ensure that they are made consistent with statutory, contractual, and other commitments of the agency, the policies and financial decisions of the Board of Commissioners and the requirements of the By-Laws of the Port Authority. Forecasting models are used to assess the agency's projected long-range financial condition; determine the financial feasibility of future capital investment; and perform financial tests to measure fiscal risk and to ensure the organization's integrity in the credit markets. This comprehensive approach to planning, budgeting and forecasting enables the agency to identify, track and take corrective action with respect to the funding requirements needed to deliver the projects and services that the Port Authority provides.

Regional Economic Condition and Outlook

The economy of the New York and New Jersey Region improved noticeably in 2003, with signs that the recession was ending and growth was on the horizon. The year's employment loss slowed to a decline of 72,000, or 0.9 %, of the regional job base. This figure equaled about half of the job reductions that occurred in 2002, when the region suffered the most dramatic effects from the events of September 11 and the national recession. Apart from the slowdown in the rate of job losses, there were many signs of a burgeoning improvement in the regional economy. The equity markets ended 2003 with positive gains for the year, breaking three years of decline. Residential construction was very strong, with more than 37,000 dwelling units valued at $5.6 billion built. New York City's visitor market also picked up. In 2003, the New York City hotel occupancy increased to 82.7 %, up from 79.3 % in 2002, and the average daily room rate increased 3.5 %, to $235. In addition, the resumption of healthy corporate profits, combined with robust productivity growth, bode well for the region's corporate service industries and financial sector.

New York City once again accounted for the most job losses in the region, with a decline for the year of 55,000 jobs, or 1.5 %. These were led by three of the most important sectors of the economy that sell their services nationally and internationally. The Financial sector of New York City fell by 11,000 jobs, the Information industry lost 12,800 jobs, and Professional and Business Services shed 14,800 jobs. Manufacturing also experienced a downturn in jobs, losing 13,200 by year's end. On the plus side, Education and Health Services added 13,100 jobs and Leisure and Hospitality sector turned positive, with a 2,700 job increase.

The Northern New Jersey economy was affected by many of the same forces that influenced New York City's economy, and the same employment sectors struggled in this part of the region. In the 8-county Northern New Jersey area, jobs declined by 1.1 %, or 26,000. The Information industry, which includes telecommunications, Internet service providers, and data processing services, lost 10,100 jobs, a 12.1 % decline. Professional and Business Services declined 2.3 %, or 9,300 jobs. The Manufacturing and Financial sectors also added to the job declines. On the positive side, Education and Health Services added 6,300 jobs, Leisure and Hospitality gained 5,100 jobs, and miscellaneous services grew by 1,700 jobs.

The New York Suburbs, comprised of Long Island, Westchester, and Rockland, was the only part of the region to add jobs in 2003. Here, there was a net gain of 9,000 jobs, or 0.5 %. Professional and Business Services added 7,500 jobs, and Education and Health Services gained 2,700 jobs. All parts of this area's economy grew, except Financial Activities, Information and Manufacturing. Long Island accounted for 80 % of the job gains in this sub-region.

Inflation in the New York and New Jersey region, as measured by the Consumer Price Index, advanced 3.1 %, 80 basis points higher than the national rate. Most of the differential is attributable to the region's housing costs, which are considerably higher than those of the rest of the nation, and to higher transportation costs.

At the national level, the economy gained momentum in 2003. Preliminary estimates for the year indicate a real Gross Domestic Product (GDP) growth of 3.1 %, compared with an increase of 2.2 % in 2002. The nation's economy grew, despite lagging labor markets, primarily because of productivity improvements. For the year, nonfarm business productivity grew 4.4 %, more than twice the long-term rate. Meanwhile, although output was expanding, the nation's employment base declined by 0.3 %. Consumer spending retained its position as the main driver of GDP growth, accounting for 70 % of GDP gains. Investment and government expenditures each added more than 0.6 points to GDP growth, while trade served as a small drag.

The national economy is expected to register robust GDP growth in 2004. The major risk for the nation, and for this region, is the pace of job recovery. If job expansion does not begin soon, the overall recovery could lose momentum. The improvement in the global economy in 2004, combined with the significant appreciation of major currencies against the dollar in 2003, should bolster this region's tourism economy. Therefore, continued improvement in this region's job markets is expected in 2004. However, the strength of the region's recovery will be contingent upon the nation's employment growth returning to a more typical pace.

Certificate of Achievement

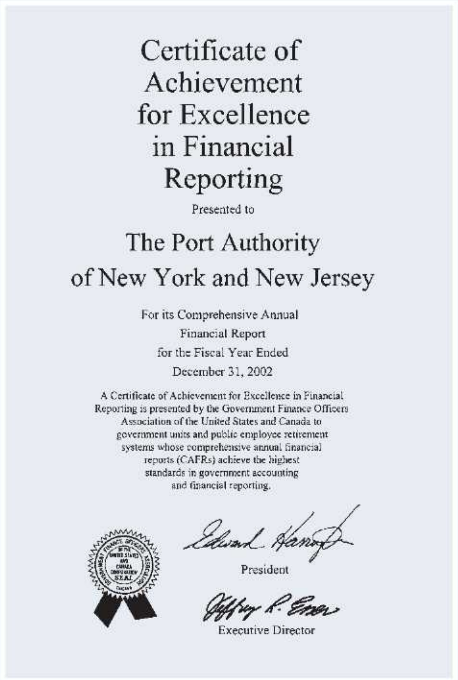
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to The Port Authority of New York and New Jersey for its Comprehensive Annual Financial Report for the fiscal year ended December 31, 2002. This was the nineteenth consecutive year that the Port Authority has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report 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 that our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

February 27, 2004

C F McClafferty

Charles F. McClafferty
Chief Financial Officer



Certificate of Achievement for Excellence in Financial Reporting

Presented to

The Port Authority of New York and New Jersey

For its Comprehensive Annual Financial Report for the Fiscal Year Ended December 31, 2002

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

President

Executive Director

For the nineteenth consecutive year, The Port Authority of New York and New Jersey was awarded the Certificate of Achievement for Excellence in Financial Reporting by the Government Finance Officers Association of the United States and Canada for its 2002 Comprehensive Annual Financial Report.

foundations

Financial Section

The Port Authority of New York and New Jersey Annual Report for the Year Ended December 31, 2003

Prepared by the Comptroller's Department

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Two World Financial Center
New York. New York 10281-1414

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Deloitte & Touche

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated statements of net assets of The Port Authority of New York and New Jersey, which includes its wholly-owned subsidiaries and affiliated entity (collectively the "Port Authority"), as of December 31, 2003 and 2002, and the related consolidated statements of revenues, expenses, and changes in net assets and cash flows for the years then ended. We also audited the financial information included in Schedules A, B, and C. These consolidated financial statements and schedules are the responsibility of the Port Authority's management. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and schedules are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and schedules. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement and schedule presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the net assets of the Port Authority as of December 31, 2003 and 2002, and the changes in its net assets, and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying Schedules A, B, and C have been prepared pursuant to the requirements of law and Port Authority bond resolutions and are not intended to be a presentation in conformity with accounting principles generally accepted in the United States of America. However, in our opinion, Schedules A, B, and C present fairly, in all material respects, the assets and liabilities of the Port Authority at December 31, 2003 and 2002, and the revenues and reserves for the years then ended in conformity with the accounting principles described in Note A-4.

The "Management's Discussion and Analysis" is not a required part of the consolidated financial statements but is supplemental information required by the Governmental Accounting Standards Board. This supplemental information is the responsibility of the Port Authority's management. We have applied certain limited procedures, which consisted principally of inquiries of management of the Port Authority regarding the methods of measurement and presentation of this supplemental information. However, we did not audit such information and we do not express an opinion on it.

Our audits were conducted for the purpose of forming opinions on the consolidated financial statements and Schedules A, B, and C taken as a whole. The supplemental information presented in Schedules D, E, and F is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. This supplemental information is the responsibility of the Port Authority's management. The supplemental information presented in Schedules D, E, and F has been subjected to the auditing procedures applied by us in the audit of the consolidated financial statements and in our opinion, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

Deloitte & Touche LLP

February 27, 2004

Deloitte
Touche
Tohmatsu

Introduction

The following discussion and analysis of the financial performance and activity of The Port Authority of New York and New Jersey (Port Authority) is intended to provide an introduction to and understanding of the financial statements of the Port Authority, which includes its wholly-owned subsidiaries, the Port Authority Trans-Hudson Corporation (PATH), the Newark Legal and Communications Center Urban Renewal Corporation, and the New York and New Jersey Railroad Corporation, and its affiliated entity WTC Retail LLC, for the year ended December 31, 2003, with selected comparative information for the year ended December 31, 2002. This section has been prepared by the management of the Port Authority and should be read in conjunction with the financial statements and the notes thereto, which follow this section.

Financial Highlights

- The Port Authority continued to demonstrate financial strength in 2003 with an increase in net assets of $883 million.
- Gross operating revenues of $2.8 billion increased by $93 million in 2003 compared to 2002.
- Operating expenses of $1.9 billion in 2003 reflected an increase of $33 million from 2002.
- During 2003, the Port Authority recognized receipts of $684 million from insurance proceeds and the Federal Emergency Management Agency (FEMA) related to the events of September 11, 2001.
- Capital expenditures totaled $1.9 billion in 2003, an increase of $388 million from 2002.
- Certain elements of the John F. Kennedy International Airport AirTrain system (JFK AirTrain) opened in December of this year including the on-airport terminal connector in the Central Terminal Area and the link to existing transit lines in Howard Beach Queens, New York. Approximately $1.4 billion in capital expenditures related to the JFK AirTrain project was transferred to completed construction in 2003.
- Construction of the temporary PATH station at the World Trade Center (WTC) site was completed this year and the station opened in November 2003. Cumulative costs associated with the construction of the temporary station, along with the rehabilitation of the PATH Exchange Place Station, which reopened in June 2003, and associated track and tunnel work totaled $551 million, of which $395 million was spent in 2003.
- In 2003, the Port Authority entered into a Memorandum of Understanding (MOU) with the City of New York with respect to the lease agreement covering John F. Kennedy International Airport (JFK) and LaGuardia Airport (LGA), and a MOU with the Brooklyn Bridge Park Development Corporation (BBPDC) with respect to the transfer of piers 1, 2, 3, and 5 at the Brooklyn-Port Authority Marine Terminal to BBPDC. As of December 31, 2003, certain liabilities and expenses associated with the MOU have been reflected in the financial records of the Port Authority (see Notes G and J).

Overview of the Financial Statements

The financial section of this annual report consists of five parts: management's discussion and analysis, the basic financial statements, the notes to the financial statements, financial schedules pursuant to Port Authority bond resolutions, and other supplemental information. The basic financial statements include: the Consolidated Statements of Net Assets, the Consolidated Statements of Revenues, Expenses and Changes in Net Assets, and the Consolidated Statements of Cash Flows.

Consolidated Statements of Net Assets

The Consolidated Statements of Net Assets present the financial position of the Port Authority at the end of the fiscal year and include all assets and liabilities of the Port Authority. Net assets represent the difference between total assets and total liabilities. A summarized comparison of the Port Authority's assets, liabilities, and net assets at December 31, 2003 and 2002 follows:

	2003	2002
	(In thousands)	
ASSETS		
Current assets (including restricted assets)	**$ 2,548,295**	$ 2,046,980
Noncurrent assets (including restricted assets)		
Facilities, net	**11,403,696**	10,077,080
Other noncurrent assets	**4,927,291**	4,778,952
Total assets	**18,879,282**	16,903,012
LIABILITIES		
Current liabilities	**2,584,217**	1,717,123
Noncurrent liabilities		
Bonds and other asset financing obligations	**7,470,893**	7,294,147
Other noncurrent liabilities	**2,021,841**	1,972,447
Total liabilities	**12,076,951**	10,983,717
NET ASSETS		
Invested in capital assets, net of related debt	**5,397,959**	4,492,027
Restricted	**15,153**	16,505
Unrestricted	**1,389,219**	1,410,763
Total net assets	**$ 6,802,331**	$ 5,919,295

In its eighty-second year of existence, the Port Authority's financial position remained strong at December 31, 2003, with assets of $18.9 billion and liabilities of $12.1 billion. Investment in facilities, net of depreciation, increased $1.3 billion from 2002. This amount includes both fully completed facilities and construction in progress.

The Port Authority's current investments increased by $493 million from 2002 stemming from an increase in short term investments in United States Government securities and commercial paper notes.

At December 31, 2003, the Port Authority had recognized liabilities totaling $856 million for rents, an increase of $690 million over the prior year. This increase was primarily due to an accrual for increased rental obligations associated with the anticipated extension of the lease agreement covering JFK and LGA pursuant to the MOU between the City of New York and the Port Authority.

Net assets, which represent the residual interest in the Port Authority's assets after liabilities are deducted, were $6.8 billion at December 31, 2003, an increase of $883 million from 2002. Invested in capital assets, net of related debt, increased by $906 million to $5.4 billion. Amounts reported as restricted net assets consist of restricted receivables in connection with Passenger Facility Charges, which decreased $1.3 million from 2002. Unrestricted net assets decreased by $22 million from 2002.

Consolidated Statements of Revenues, Expenses and Changes in Net Assets

The change in net assets is an indicator of whether the overall fiscal condition of an organization has improved or worsened during the year. Following is a summary of the Consolidated Statements of Revenues, Expenses and Changes in Net Assets:

	2003	2002
	(In thousands)	
Gross operating revenues	**$ 2,764,051**	$ 2,670,583
Operating expenses	**(1,919,251)**	(1,886,190)
Depreciation and amortization	**(521,098)**	(435,246)
Net recoverables related to the events of September 11, 2001	**664,211**	474,663
Income from operations	**987,913**	823,810
Net non-operating expenses	**(104,877)**	(83,848)
Increase in net assets	**$ 883,036**	$ 739,962

Additional information on facility operating results can be found in Schedule E located in the other supplemental information section of this report.

Revenues

A summary of gross operating revenues through December 31, 2003 and 2002 follows:

	2003	2002
	(In thousands)	
Gross operating revenues:		
Rentals	**$ 858,414**	$ 832,527
Tolls and fares	**758,326**	774,337
Aviation fees	**705,302**	672,175
Parking and other	**234,261**	197,912
Utilities	**112,555**	97,184
Rentals — Special Project Bond projects	**95,193**	96,448
Total	**$2,764,051**	$2,670,583

Gross operating revenues increased $93 million from 2002, mainly due to higher revenues from cost recovery agreements with the airlines primarily for Port Authority capital investment associated with assets placed into service at the airports, higher revenues from activity-based rentals at JFK, LGA and Newark Liberty International Airport (EWR), and the full-year effect of an increase in vehicular parking rates at the airports. These increases were partially offset by decreased toll revenue at certain tunnel and bridge facilities and reduced PATH fare revenue due to the general downturn in many regional service sectors and the severe winter weather conditions experienced in 2003.

Expenses

A summary of operating expenses, including depreciation and amortization, through December 31, 2003 and 2002 follows:

	2003	2002
	(In thousands)	
Operating expenses:		
Employee compensation, including benefits	**$ 769,711**	$ 777,146
Contract services	**543,926**	622,781
Rents and amounts in-lieu-of taxes	**237,276**	140,614
Materials, equipment and other	**150,700**	135,321
Utilities	**122,445**	113,880
Interest on Special Project Bonds	**95,193**	96,448
Total operating expenses	**1,919,251**	1,886,190
Depreciation and amortization	**521,098**	435,246
Total	**$2,440,349**	$2,321,436

Operating expenses, including depreciation and amortization, totaled $2.4 billion through December 31, 2003, an increase of $119 million over 2002. Total rents and amounts in-lieu-of taxes increased by $97 million resulting from an increase in municipal rent expense associated with the anticipated extension of the lease with the City of New York for JFK and LGA. Total depreciation and amortization expense increased by $86 million primarily due to the completion of construction and placement into service of the JFK AirTrain and the Exchange Place and temporary WTC PATH Stations in 2003, the planned transfer of Brooklyn-Port Authority Marine Terminal Piers 1, 2, 3 and 5 to BBPDC, and the demolition of the former Port Authority Administration Building at EWR. Increased expenses were partially offset by lower contract service costs of $79 million primarily in the area of architectural, engineering and construction contracts and because costs associated with the termination of the E-ZPass Consortium were recognized in 2002.

Recoverables Related to the Events of September 11, 2001

	2003	2002
	(In thousands)	
Recoverables	**$682,232**	$587,400
Expenses	**18,021**	112,737
Total net recoverables related to the events of September 11, 2001	**$664,211**	$474,663

Approximately $684 million was received by the Port Authority in 2003 comprising $309 million in insurance advances and $375 million in payments from FEMA. These amounts represent reimbursements to the Port Authority for costs incurred in its recovery efforts and for business interruption costs resulting from the events of September 11, 2001. Of these amounts, $682 million was recognized as revenue in 2003, and the balance was applied to a portion of the outstanding receivable representing the net book value of the properties destroyed as a result of the terrorist attacks.

As of December 31, 2003, cumulative insurance proceeds and payments from FEMA recognized by the Port Authority totaled approximately $1.37 billion. Of this amount, $869 million has been recognized as income net of $429 million of expenses related to the events of September 11, 2001, primarily the cost of office space necessary to replace the Port Authority's offices that were located at the World Trade Center, and the balance of approximately $68 million has been applied to a portion of the outstanding receivable representing the net book value of the properties destroyed as a result of the terrorist attacks.

Non-operating Revenues and Expenses

	2003	2002
	(In thousands)	
Non-operating revenues and (expenses):		
Income on investments	$ 50,306	$ 67,898
Increase in fair value of investments	15,842	29,914
Interest expense in connection with bonds and other asset financing	(344,755)	(336,725)
Net financial expense	(278,607)	(238,913)
Gain on Disposition of Assets	787	—
Passenger Facility Charges	109,111	110,471
Contributions in aid of construction	57,568	36,258
Grants	34,501	19,892
Regional ferry pass-through grant program payments	(28,237)	(11,556)
Net non-operating grants	63,832	44,594
Net non-operating expenses	$(104,877)	$ (83,848)

Financial income, which totaled $66 million for 2003, decreased by $32 million reflecting a lower interest rate environment in 2003 compared to 2002. Financial expense of $345 million in 2003 remained relatively stable compared to 2002.

Contributions and grants provided by others to the Port Authority in 2003 were as follows:

- Contributions received in aid of construction from federal, state and other entities with respect to Port Authority facilities totaled $58 million.
- Federal and state pass-through grants designated for the expansion of ferry transportation service across the Hudson River to partially offset lost interstate mass transportation capacity between New York and New Jersey totaled $28 million.
- Grants received for reimbursement of snow removal costs incurred in connection with the February 2003 snowstorm totaled $3.3 million.
- Grants for implementing enhanced security measures at various ports in the bi-state region totaled $1.9 million.

Capital Construction

During 2003, Port Authority expenditures and amounts accrued for capital construction projects totaled $1.9 billion, an increase of $388 million from last year's activity. Capital construction in 2003 was primarily associated with the following projects:

- Exchange Place and Temporary WTC PATH Stations*
- PATH Tunnels E & F*
- AirTrain at JFK
  - On-airport Terminal Connector*
  - Link to Transit Lines in Howard Beach Queens, New York*
  - Link to Transit Lines in Jamaica Queens, New York
- General harbor channel improvements
- Terminal developments at various New Jersey marine terminals
- NY Economic Development and Regional Transportation Programs
- Runway, taxiway, roadway and parking area rehabilitation work at JFK, EWR and LGA
- Rehabilitation projects at various Port Authority tunnel and bridge facilities
- Implementation of the E-ZPass Fare Collection System at the parking lots located at JFK, EWR and LGA*
- Elizabeth Marine Terminal roadway improvements*

* Project was completed in 2003.

In connection with the adoption of the 2004 Budget, the Port Authority has approved a capital plan which calls for total spending of approximately $9 billion over the 2004 to 2008 period as follows:

	(In billions)
WTC Site Restoration (including permanent WTC PATH Station)	$2.4
Aviation	1.9
Tunnels, Bridges & Terminals	1.2
Port Commerce	1.0
PATH	.9
JFK AirTrain	.3
Economic Development	.2
Regional Programs	1.1

Additional capital investment information on Port Authority facilities can be found in Note B to the financial statements and in Schedule F located in the other supplemental information section of this report.

Capital Financing and Debt Management

As of December 31, 2003, bonds and other asset financing obligations of the Port Authority totaled $8.4 billion, a $443 million year to year increase.

During 2003, the Port Authority issued approximately $1.4 billion in new consolidated bonds and notes. Of this amount, $1.3 billion was issued to fund capital construction projects in connection with Port Authority facilities and $84 million was used to refund existing outstanding obligations.

In 2003, the Port Authority was awarded a grant by the Federal Transit Administration of approximately $1.7 billion which will be used in connection with the permanent PATH terminal at the WTC site.

Listed below is a summary of credit ratings that are assigned to the outstanding obligations of the Port Authority. The ratings for the obligations outstanding in 2002 have remained the same for 2003. It is important to note that subsequent to the events of September 11, 2001, Standard & Poor's placed all United States and Canadian Airports, as well as the Port Authority, on credit watch with negative implications. In January 2004, Standard & Poor's changed the Port Authority's outlook to stable. During 2003, Moody's and Fitch considered the Port Authority's outlook as stable.

OBLIGATION	S&P	Fitch	Moody's
Consolidated Bonds	AA–	AA–	A1
Consolidated Notes	SP-1+	F-1+	MIG1
Commercial Paper	A-1+	F-1+	P-1
VSO Short Term	A-1+	F-1+	VMIG1
VSO Long Term	A–	A+	A2

Each rating reflects only the view of the ratings service issuing such rating and is not a recommendation by such ratings service to purchase, sell or hold any maturity of Port Authority Bonds or as to market price or suitability of any maturity of the Bonds for a particular investor. An explanation of the significance of a rating may be obtained from the ratings service issuing such rating. There is no assurance that any rating will continue for any period of time or that it will not be revised or withdrawn. A revision or withdrawal of a rating may have an effect on market price.

Additional information on Port Authority debt can be found in Note D to the financial statements.

	December 31, 2003	December 31, 2002
	(In thousands)	
ASSETS		
Current assets:		
Cash	**$ 29,398**	$ 40,563
Investments	**2,156,871**	1,663,474
Current receivables, net	**282,113**	275,294
Other current assets	**64,760**	51,144
Restricted receivables in connection with Passenger Facility Charges	**15,153**	16,505
Total current assets	**2,548,295**	2,046,980
Noncurrent assets:		
Restricted cash	**10,295**	9,362
Investments	**1,069,794**	1,329,837
Other amounts receivable, net	**1,036,473**	1,274,239
Deferred charges and other noncurrent assets	**952,491**	354,134
Amounts receivable — Special Project Bond projects	**1,404,074**	1,425,270
Unamortized costs for regional programs	**454,164**	386,110
Facilities, net	**11,403,696**	10,077,080
Total noncurrent assets	**16,330,987**	14,856,032
Total assets	**18,879,282**	16,903,012
LIABILITIES		
Current liabilities:		
Accounts payable	**525,829**	565,695
Accrued interest and other current liabilities	**1,077,225**	430,975
Accrued payroll and other employee benefits	**99,942**	105,162
Current portion bonds and other asset financing obligations	**881,221**	615,291
Total current liabilities	**2,584,217**	1,717,123
Noncurrent liabilities:		
Accrued pension and other noncurrent employee benefits	**533,524**	465,547
Other noncurrent liabilities	**84,243**	81,630
Amounts payable — Special Project Bonds	**1,404,074**	1,425,270
Bonds and other asset financing obligations	**7,470,893**	7,294,147
Total noncurrent liabilities	**9,492,734**	9,266,594
Total liabilities	**12,076,951**	10,983,717
NET ASSETS	**$ 6,802,331**	$ 5,919,295
Net assets are composed of:		
Invested in capital assets, net of related debt	**$ 5,397,959**	$ 4,492,027
Restricted	**15,153**	16,505
Unrestricted	**1,389,219**	1,410,763
Net assets	**$ 6,802,331**	$ 5,919,295

See Notes to Consolidated Financial Statements.

Consolidated Statements of Revenues, Expenses and Changes in Net Assets

	Year ended December 31, 2003	2002
	(In thousands)	
Gross operating revenues:		
Rentals	**$ 858,414**	$ 832,527
Tolls and fares	**758,326**	774,337
Aviation fees	**705,302**	672,175
Parking and other	**234,261**	197,912
Utilities	**112,555**	97,184
Rentals — Special Project Bond projects	**95,193**	96,448
Total gross operating revenues	**2,764,051**	2,670,583
Operating expenses:		
Employee compensation, including benefits	**769,711**	777,146
Contract services	**543,926**	622,781
Rents and amounts in-lieu-of taxes	**237,276**	140,614
Materials, equipment and other	**150,700**	135,321
Utilities	**122,445**	113,880
Interest on Special Project Bonds	**95,193**	96,448
Total operating expenses	**1,919,251**	1,886,190
Net recoverables related to the events of September 11, 2001	**664,211**	474,663
Depreciation of facilities	**(488,986)**	(406,484)
Amortization of costs for regional programs	**(32,112)**	(28,762)
Income from operations	**987,913**	823,810
Non-operating revenues and (expenses):		
Income on investments	**50,306**	67,898
Net increase in fair value of investments	**15,842**	29,914
Interest expense in connection with bonds and other asset financing	**(344,755)**	(336,725)
Gain on disposition of assets	**787**	—
Passenger Facility Charges	**109,111**	110,471
Contributions in aid of construction	**57,568**	36,258
Grants	**34,501**	19,892
Regional ferry pass-through grant program payments	**(28,237)**	(11,556)
Increase in net assets	**883,036**	739,962
Net assets, January 1	**5,919,295**	5,179,333
Net assets, December 31	**$6,802,331**	$5,919,295

See Notes to Consolidated Financial Statements.

		Year ended December 31, 2003	2002
		(In thousands)	
1. Cash flows from operating activities:			
Cash received from operations		**$ 2,647,634**	$ 2,576,509
Cash received related to the events of September 11, 2001		**683,749**	613,952
Cash paid to suppliers		**(885,650)**	(901,805)
Cash paid to or on behalf of employees		**(706,375)**	(714,793)
Cash paid to municipalities		**(136,684)**	(153,930)
Cash payments related to the events of September 11, 2001		**(21,427)**	(126,068)
Net cash provided by operating activities		**1,581,247**	1,293,865
Cash flows from capital activities:			
Proceeds from sales of capital obligations		**1,365,507**	759,868
Principal paid on capital obligations		**(887,729)**	(470,615)
Proceeds from capital obligations issued for refunding purposes		**2,078,996**	2,607,108
Principal paid through capital obligations refundings		**(2,078,996)**	(2,607,108)
Interest paid on capital obligations		**(385,755)**	(396,305)
Investment in facilities and construction of capital assets		**(1,513,037)**	(1,396,263)
Financial income allocated to capital projects		**1,380**	2,592
Investment in regional programs		**(100,166)**	2,937
Insurance proceeds related to the destruction of Port Authority property on September 11, 2001		**—**	36,347
Contributions in aid of construction		**62,376**	30,727
	Subtotal	**(1,457,424)**	(1,430,712)
Cash flows from related financing activities:			
Interest paid on equipment notes		**(1,083)**	(1,838)
Principal paid on equipment notes		**(45,300)**	(5,000)
Payments for Fund buy-out obligation		**(35,213)**	(35,215)
Proceeds from Passenger Facility Charges		**110,463**	105,128
Grants		**34,501**	19,892
Regional ferry pass-through grant program payments		**(28,237)**	(11,556)
	Subtotal	**35,131**	71,411
Net cash used for capital and related financing activities		**(1,422,293)**	(1,359,301)
Cash flows from investing activities:			
Purchase of investment securities		**(66,562,489)**	(44,372,147)
Proceeds from maturity and sale of investment securities		**66,345,245**	44,383,978
Interest received on investment securities		**31,563**	41,190
Miscellaneous financial income		**16,495**	15,605
Net cash (used for) provided by investing activities		**(169,186)**	68,626
Net (decrease) increase in cash		**(10,232)**	3,190
Cash at beginning of year		**49,925**	46,735
Cash at end of year		**$ 39,693**	$ 49,925

(Consolidated Statements of Cash Flows continued on next page.)

See Notes to Consolidated Financial Statements.

	Year ended December 31, 2003	2002
	(In thousands)	
2. Reconciliation of income from operations to net cash provided by operating activities:		
Income from operations	**$ 987,913**	$ 823,810
Adjustments to reconcile income from operations to net cash provided by operating activities:		
Depreciation of facilities	**488,986**	406,484
Amortization of costs for regional programs	**32,112**	28,762
Amortization of other assets	**35,267**	57,400
Change in operating assets and operating liabilities:		
(Increase) decrease in receivables	**(20,498)**	5,590
(Increase) in prepaid expenses	**(46,060)**	(218,898)
Decrease in payables	**(10,361)**	(41,291)
Increase in employee benefits	**62,757**	60,169
Increase in other liabilities	**49,650**	171,877
Increase (decrease) in deferred income	**1,481**	(38)
Total adjustments	**593,334**	470,055
Net cash provided by operating activities	**$1,581,247**	$1,293,865

3. Capital obligations:

Consolidated bonds and notes, commercial paper, variable rate master notes and versatile structure obligations.

4. Noncash capital financing activity:

Noncash activity of $85,377,000 in 2003 and $88,663,000 in 2002 includes amortization of discount and premium on consolidated bonds and notes, accretion associated with capital appreciation bonds and amounts payable in connection with Special Project Bonds. Noncash capital financing did not include any activities that required a change in fair value.

See Notes to Consolidated Financial Statements.

Note A Nature of the Organization and Summary of Significant Accounting Policies

1. Reporting Entity

a. The Port Authority of New York and New Jersey was created in 1921 by Compact between the two States and consented to by the Congress of the United States. The Compact envisions the Port Authority as being financially self-sustaining. As such, it must raise the funds necessary for the improvement, construction or acquisition of its facilities generally upon the basis of its own credit. Cash derived from Port Authority operations and other cash received may be disbursed only for specific purposes in accordance with provisions of various statutes and agreements with holders of its obligations and others. The costs of providing facilities and services to the general public on a continuing basis are recovered primarily from operating revenue sources, including rentals, tolls, fares, aviation fees and other charges.

b. The Governor of each State, with the consent of the respective State Senate, appoints six of the twelve members of the governing Board of Commissioners. The Commissioners serve without remuneration for six-year overlapping terms. Meetings of the Commissioners of the Port Authority are open to the public in accordance with policies adopted by the Commissioners; the actions the Commissioners take at Port Authority meetings are subject to gubernatorial review and may be vetoed by the Governor of their respective State.

c. The Audit Committee, which consists of four members of the Board of Commissioners, provides oversight of the quality and integrity of the accounting, auditing and financial reporting processes. The independent auditors are retained by and meet directly, on a regular basis, with the Audit Committee. The Audit Committee also reviews the performance and independence of the independent auditors, who are required to provide written disclosure of, and discuss with the Committee, any significant relationships or issues that would have a bearing on their independence. The Chairman of the Audit Committee periodically advises the Board of Commissioners on the activities of the Committee.

d. The financial statements and schedules include the accounts of the Port Authority and its wholly-owned subsidiaries, Port Authority Trans-Hudson Corporation (PATH), the Newark Legal and Communications Center Urban Renewal Corporation, the New York and New Jersey Railroad Corporation, and in 2003, its affiliated entity WTC Retail LLC.

2. Basis of Accounting

a. The Port Authority's activities are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. All assets, liabilities, net assets, revenues and expenses are accounted for in an enterprise fund with revenues recorded when earned and expenses recorded at the time liabilities are incurred.

b. In its accounting and financial reporting, the Port Authority follows the pronouncements of the Governmental Accounting Standards Board (GASB). In addition, the Port Authority follows the pronouncements of all applicable Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure issued on or before November 30, 1989, unless they conflict with or contradict GASB pronouncements.

3. Significant Accounting Policies

a. Facilities are carried at cost. Facilities do not include regional programs undertaken at the request of the Governor of the State of New Jersey or the Governor of the State of New York (see Note H). Costs that benefit future accounting periods and are expected to prolong the service lives of assets beyond the originally assigned life are capitalized, including net interest expense incurred from the date of issuance of debt for purposes of a capital project until such project is completed and ready for its intended use (see Note B).

b. Depreciation of facilities is computed using the straight-line method during the estimated useful lives of the related assets. The useful lives of assets are developed by the various related disciplines in the Port Authority's Engineering Department utilizing past experience, standard industrial expectations, and external sources such as consultants, manufacturers and contractors. Useful lives are reviewed periodically for each specific type of asset class. Asset lives used in the calculation of depreciation are generally as follows:

Buildings, bridges, tunnels, other structures	25 to 100 years
Machinery and equipment	5 to 35 years
Runways, roadways and other paving	10 to 20 years
Utility infrastructure	20 to 40 years

Assets located at facilities leased by the Port Authority from others are depreciated over the lesser of the remaining term of the facility lease or the asset life stated above.

Costs of regional programs are amortized on a straight-line basis (see Note H). Certain operating costs, which provide benefits for periods exceeding one year, are deferred and amortized over the period benefited.

c. Cash consists of cash on hand and demand deposits.

d. Inventories are valued at average cost.

e. Operating revenues include rentals, tolls, fares, aviation fees, and other charges derived in connection with the use of and privileges granted at Port Authority facilities, and amounts received from operating grants. Operating expenses include those costs incurred for the operation, maintenance and security of Port Authority facilities. All other revenues, which include financial income, Passenger Facility Charges (PFCs), contributions in aid of construction, non-operating grants, and gains resulting from the disposition of assets, if any, are reported as non-operating revenues, and all other expenses, such as interest expense, losses resulting from the disposition of assets, and pass-through grant sponsor costs are reported as non-operating expenses.

f. Pursuant to the Aviation Safety and Capacity Expansion Act of 1990, the Port Authority has been authorized to impose $3 Passenger Facility Charges on enplaning passengers. Amounts attributable to the collection and investment of PFCs are restricted and can only be used for Federal Aviation Administration approved airport-related projects. Revenue derived from the collection of PFCs, net of the air carriers' handling charges, is recognized and reported as non-operating revenue in the year the fees are due from the air carriers (see Consolidated Statements of Revenues, Expenses and Changes in Net Assets and Schedule E). PFC revenue applied to eligible capital projects is reflected as a component of "Facilities, net" on the Consolidated Statements of Net Assets and Schedule F.

g. All Port Authority investments whose values are affected by interest rate changes have been reported at their fair value, using published market prices. The Port Authority is authorized to use a variety of financial instruments to assist in the management of its financing and investment objectives. The Port Authority may also employ hedging strategies to minimize interest rate risk and enters into various derivative instruments, including options on United States Treasury securities, repurchase and reverse repurchase (yield maintenance) agreements, United States Treasury and municipal bond futures contracts (see Note C) and interest rate exchange contracts (swaps) (see Note D).

h. When issuing new debt for refunding purposes, the difference between the acquisition price of the new debt and the net carrying amount of the refunded debt is deferred and amortized as a component of interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter.

i. Environmental costs, including costs associated with the Port Authority's dredging and disposal plan, are generally charged as an operating expense. However, such costs, when they result in the construction of a new asset or the improvement of an existing asset compared with its condition when it was constructed or acquired, are capitalized. Improved asset conditions include the extension of the useful life, increased capacity, and improvement of safety or efficiency.

j. The 2002 financial statements contain the reclassification of certain amounts, which have been made in order to conform to the classifications in 2003.

4. Reconciliation of Consolidated Statements Prepared in Accordance with Accounting Principles Generally Accepted in the United States of America to Schedules Prepared Pursuant to Port Authority Bond Resolutions

Schedules A, B, and C, which follow the notes to the consolidated financial statements, have been prepared in accordance with legal requirements and Port Authority bond resolutions which differ in some respects from accounting principles that are generally accepted in the United States of America, as follows:

a. 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 are accounted for in the capital fund. Transactions involving the application of net revenues are accounted for in the reserve funds.

b. Consistent with Port Authority bond resolutions, Passenger Facility Charges are deferred until spent on approved project costs. Unspent PFC program amounts are a Port Authority liability, which are reflected as "Deferred income in connection with PFCs". A reconciliation of revenues related to PFCs on the Consolidated Statements of Revenues, Expenses and Changes in Net Assets to deferred income in connection with PFCs on Schedule B — Assets and Liabilities follows:

	Year ended December 31,	
	2003	2002
	(In thousands)	
Passenger Facility Charges	**$ 109,111**	$ 110,471
Financial income, PFCs	**4**	—
Direct PFC project payments	**(110,467)**	(105,128)
PFC deferred income, January 1	**16,505**	11,162
PFC deferred income, December 31	**$ 15,153**	$ 16,505

c. Port Authority bond resolutions provide that net operating revenues shall not include an allowance for depreciation on facilities other than of ancillary equipment. Thus, depreciation is not a significant 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 through direct investment in facilities. These amounts are credited at par to "Facility infrastructure investment" on Schedule B — Assets and Liabilities.

d. Debt service in connection with operating asset obligations is paid from the same revenues and in the same manner as operating expenses of the Port Authority.

e. Capital costs for regional programs are included in "Invested in facilities" in accordance with Port Authority bond resolutions.

f. Consolidated bonds and notes are recorded as outstanding at their par value commencing on the date that the Port Authority is contractually obligated to issue and sell such obligations. Discounts and premiums are capitalized at issuance.

g. 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". However, in the event of the sale of assets removed from service or recovery of amounts related to assets destroyed or damaged, the amount of proceeds received from such sale or recovery is deducted from "Invested in facilities".

A reconciliation of the Consolidated Statements of Revenues, Expenses and Changes in Net Assets and the Consolidated Statements of Net Assets to Schedules A and B follows:

Consolidated Statements of Revenues, Expenses and Changes in Net Assets to Schedule A — Revenues and Reserves

	Year ended December 31, 2003	2002
	(In thousands)	
Increase in net assets reported on Consolidated Statements of Revenues, Expenses and Changes in Net Assets	**$ 883,036**	$ 739,962
Add: Depreciation of facilities	**488,986**	406,484
Amortization of costs for regional programs	**32,112**	28,762
Amortization of discount and premium	**7,728**	5,409
	1,411,862	1,180,617
Less: Debt maturities and retirements	**698,280**	181,250
Call premiums on refunded bonds	**839**	4,957
Repayment of capital asset obligations	**6,329**	5,863
Debt retirement acceleration	**183,120**	283,502
Appropriations for self-insurance	**15,201**	19,017
Direct investment in facilities	**542,260**	433,747
Gain on disposition of assets	**787**	—
Passenger Facility Charges	**109,111**	110,471
PFC income on investments (including net increase in fair value of investments)	**4**	—
	1,555,931	1,038,807
(Decrease) increase in reserves reported on Schedule A — Revenues and Reserves (pursuant to Port Authority bond resolutions)	**$ (144,069)**	$ 141,810

Consolidated Statements of Net Assets To Schedule B — Assets and Liabilities

	December 31, 2003	2002
	(In thousands)	
Net assets reported on Consolidated Statements of Net Assets	**$ 6,802,331**	$ 5,919,295
Add: Accumulated depreciation of facilities	**5,593,461**	5,158,970
Accumulated retirements and gains and losses on disposal of invested in facilities	**1,563,819**	1,510,111
Cumulative amortization of costs for regional programs	**656,112**	624,000
Cumulative amortization of discount and premium	**55,028**	48,139
	14,670,751	13,260,515
Less: Deferred income in connection with PFCs	**15,153**	16,505
Net assets reported on Schedule B — Assets and Liabilities (pursuant to Port Authority bond resolutions)	**$14,655,598**	$13,244,010

Note B Facilities

1. Facilities, net is comprised of the following:

	Beginning of Year	Additions	Transfers	Retirements	End of Year
			(In thousands)		
2003					
Facilities					
Land	$ 502,095	$ —	$ 15,611	$ —	$ 517,706
Buildings, bridges, tunnels, other structures	4,479,493	—	1,120,749	(21,550)	5,578,692
Machinery and equipment	3,148,599	—	1,300,572	(12,895)	4,436,276
Runways, roadways and other paving	2,478,900	—	491,380	(11,869)	2,958,411
Utility infrastructure	1,573,682	—	186,996	(8,181)	1,752,497
Construction in progress	3,053,281	1,815,602	(3,115,308)	—	1,753,575
Total Facilities	15,236,050	1,815,602	—	(54,495)	16,997,157
Less accumulated depreciation:					
Buildings, bridges, tunnels, other structures	1,961,791	166,778	—	(21,550)	2,107,019
Machinery and equipment	1,397,433	133,124	—	(12,895)	1,517,662
Runways, roadways and other paving	1,030,533	117,119	—	(11,869)	1,135,783
Utility infrastructure	769,213	71,965	—	(8,181)	832,997
Total accumulated depreciation	5,158,970	488,986	—	(54,495)	5,593,461
Facilities, net	$10,077,080	$1,326,616	$ —	$ —	$11,403,696
2002					
Facilities					
Land	$ 461,478	$ —	$ 40,617	$ —	$ 502,095
Buildings, bridges, tunnels, other structures	4,258,162	—	226,088	(4,757)	4,479,493
Machinery and equipment	3,041,667	—	108,280	(1,348)	3,148,599
Runways, roadways and other paving	2,213,108	—	272,914	(7,122)	2,478,900
Utility infrastructure	1,504,801	—	79,348	(10,467)	1,573,682
Construction in progress	2,250,204	1,530,324	(727,247)	—	3,053,281
Total Facilities	13,729,420	1,530,324	—	(23,694)	15,236,050
Less accumulated depreciation:					
Buildings, bridges, tunnels, other structures	1,833,724	132,824	—	(4,757)	1,961,791
Machinery and equipment	1,288,288	110,493	—	(1,348)	1,397,433
Runways, roadways and other paving	938,500	99,155	—	(7,122)	1,030,533
Utility infrastructure	715,668	64,012	—	(10,467)	769,213
Total accumulated depreciation	4,776,180	406,484	—	(23,694)	5,158,970
Facilities, net	$ 8,953,240	$1,123,840	$ —	$ —	$10,077,080

2. Net interest expense added to the cost of facilities was $86,119,000 in 2003 and $90,808,000 in 2002.

Note C Cash and Investments

1. The components of cash and investments are:

	December 31, 2003	December 31, 2002
	(In thousands)	
CASH		
Cash on hand	**$ 1,960**	$ 1,906
Demand deposits	**37,733**	48,019
Total cash	**39,693**	49,925
Less restricted cash	**10,295**	9,362
Unrestricted cash	**$ 29,398**	$ 40,563

	December 31, 2003	December 31, 2002
	(In thousands)	
INVESTMENTS		
United States Treasury notes	**$ 717,608**	$ 496,974
United States Treasury bills	**1,462,552**	1,115,471
United States government agency obligations	**689,686**	716,066
Commercial paper notes	**107,987**	–
United States Treasury obligations held pursuant to repurchase agreements	**72,394**	511,246
JFK International Air Terminal LLC obligations	**172,514**	147,500
Accrued interest receivable	**3,924**	6,054
Total investments	**3,226,665**	2,993,311
Less current investments	**2,156,871**	1,663,474
Noncurrent investments	**$1,069,794**	$1,329,837

2. Port Authority policy provides for funds of the Port Authority to be deposited in banks with offices located in the Port District, provided that the total funds on deposit in any bank do not exceed 50% of the bank's combined capital and permanent surplus. These funds must be fully secured by deposit of collateral having a minimum market value of 110% of average daily balances in excess of that part of the deposits secured through the Federal Deposit Insurance Corporation (FDIC). Actual daily balances may differ from the average daily balances. 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 in the Port District having combined capital and surplus in excess of $1 million.

Total actual bank balances were $30,340,000 as of December 31, 2003. Of that amount, $27,892,000 was either secured through the FDIC or was fully collateralized by collateral held by a bank acting as the Port Authority's agent and held by such bank in the Port Authority's name. The balance of $2,448,000 was not collateralized.

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. Individual investment transactions are executed with recognized and established securities dealers and commercial banks. Investment securities are maintained, in the Port Authority's name, by a third party financial institution acting as the Port Authority's agent. Securities transactions are conducted in the open market at competitive prices. Transactions (including repurchase and reverse repurchase agreement transactions) are completed when the Port Authority's securities custodian, in the Port Authority's name, makes or receives payment upon receipt of confirmation that the securities have been transferred at the Federal Reserve Bank of New York or other repository in accordance with the Port Authority's instructions.

Proceeds of "Bonds and other asset financing obligations" may be invested, on an interim basis, in conformance with applicable Federal law and regulations, in obligations of (or fully guaranteed by) the United States of America (including such securities held pursuant to repurchase agreements) and collateralized time accounts. The Consolidated Bond Reserve Fund and the General Reserve Fund amounts may be invested in obligations of (or fully guaranteed by) the United States of America. Additionally, amounts in the Consolidated Bond Reserve Fund and the General Reserve Fund (subject to certain limitations) may be invested in obligations of the State of New York or the State of New Jersey, collateralized time accounts, and Port Authority bonds actually issued and secured by a pledge of the General Reserve Fund. Operating funds may presently be invested in direct obligations of the United States of America and obligations of United States government agencies and sponsored enterprises, investment grade negotiable certificates of deposit, negotiable bankers' acceptances, commercial paper, United States Treasury and municipal bond futures contracts, certain interest rate exchange contracts with banks and investment firms, certain interest rate options contracts with primary dealers in United States Treasury securities, and obligations of JFK International Air Terminal LLC for certain costs attributable to the completion of the passenger terminal project. The Board has from time to time authorized other investments of operating funds.

The passenger terminal lease with JFK International Air Terminal LLC (JFKIAT) was amended during 2001 to provide for, among other items, the Port Authority to invest up to $180 million of operating funds to be used by JFKIAT for certain costs attributable to the completion of its passenger terminal project at John F. Kennedy International Airport (JFK). Payments by JFKIAT to the Port Authority on account of such investment (JFKIAT payment obligation) are to be made on a subordinated basis to certain other rental obligations of JFKIAT under such lease, including facility rental pledged to the payment of debt service on Special Project Bonds, Series 6 (see Note D-2). In 2002, the JFKIAT passenger terminal lease was further supplemented to provide for the deferral of approximately $11 million of JFKIAT payment obligations in 2003 resulting in an increase in the authorized amount of operating funds that could be invested in this project. JFKIAT's ability to meet its contractual commitments under the lease may be affected by trends in the airline industry which may have a negative effect on air traffic and revenues derived from the operation of the air terminal.

The Port Authority has entered into reverse repurchase (yield maintenance) agreements under which the Port Authority contracted to sell a specified United States Treasury security to a counterparty and simultaneously agreed to purchase it back from that party at a predetermined price and future date. All reverse repurchase agreements sold are matched to repurchase agreements bought, thereby minimizing market risk. The credit risk is managed by a daily evaluation of the market value of the underlying securities and periodic cash adjustments, as necessary, in accordance with the terms of the repurchase agreements. Although there were no investments in reverse repurchase agreements at December 31, 2003, during 2003, reverse repurchase agreements in effect at any one time ranged as high as $844,860,000. Repurchase agreements in effect at any one time during 2003 ranged as high as $1,232,334,000.

Note D Outstanding Obligations and Financing

1. Outstanding bonds and other asset financing obligations

The obligations noted with "(*)" on original issuance were subject to the alternative minimum tax imposed under the Internal Revenue Code of 1986, as amended, with respect to individuals and corporations. Obligations noted with (**) are subject to Federal taxation.

		December 31, 2003	
	Current	Noncurrent	Total
		(In thousands)	
A. CONSOLIDATED BONDS AND NOTES	$420,420	$6,492,874	$6,913,294
B. COMMERCIAL PAPER NOTES	249,200	—	249,200
C. VARIABLE RATE MASTER NOTES	149,990	—	149,990
D. VERSATILE STRUCTURE OBLIGATIONS	10,500	544,000	554,500
E. PORT AUTHORITY EQUIPMENT NOTES	15,900	45,900	61,800
F. FUND BUY-OUT OBLIGATION	35,211	388,119	423,330
	$881,221	$7,470,893	$8,352,114

		December 31, 2002	
	Current	Noncurrent	Total
		(In thousands)	
A. CONSOLIDATED BONDS AND NOTES	$198,280	$6,288,547	$6,486,827
B. COMMERCIAL PAPER NOTES	180,408	—	180,408
C. VARIABLE RATE MASTER NOTES	149,990	—	149,990
D. VERSATILE STRUCTURE OBLIGATIONS	6,100	554,500	560,600
E. PORT AUTHORITY EQUIPMENT NOTES	45,300	61,800	107,100
F. FUND BUY-OUT OBLIGATION	35,213	389,300	424,513
	$615,291	$7,294,147	$7,909,438

A. CONSOLIDATED BONDS AND NOTES

		Dec. 31, 2002	Issued/ Accreted	Refunded/ Retired	Dec. 31, 2003
			(In thousands)		
Consolidated bonds					
Sixty-ninth series (a)	Due 2004-2011	$ 23,630	$ 2,030	$ 2,720	$ 22,940
Seventy-fourth series (b)	Due 2004-2014	29,545	2,461	1,785	30,221
Seventy-ninth series	5.9%-6% due 2004-2005	20,865	–	7,010	13,855
Eightieth series	5.9%-6% due 2004-2005	10,560	–	3,535	7,025
Eighty-fourth series*	5 3/4%-6% due 2008-2028	97,250	–	97,250	–
Eighty-fifth series	5%-5 3/8% due 2008-2028	98,000	–	–	98,000
Eighty-sixth series	4.8%-5.2% due 2004-2012	69,845	–	11,520	58,325
Eighty-seventh series	4.7%-5 1/4% due 2003-2021	86,315	–	86,315	–
Eighty-eighth series	4 1/2%-4 3/4% due 2004-2008	74,120	–	20,050	54,070
Eighty-ninth series	4.4%-5 1/8% due 2003-2021	88,685	–	88,685	–
Ninetieth series**	6.05%-6 1/8% due 2004-2005	23,510	–	7,385	16,125
Ninety-first series	4.7%-5.2% due 2004-2020	252,975	–	8,495	244,480
Ninety-second series	4 3/4%-5 5/8% due 2009-2029	90,680	–	–	90,680
Ninety-third series	6 1/8% due 2094	100,000	–	–	100,000
Ninety-fourth series	5.2%-6% due 2004-2017	100,000	–	4,345	95,655
Ninety-fifth series*	5 1/2%-6 1/8% due 2005-2029	95,000	–	–	95,000
Ninety-sixth series*	5.7%-6.6% due 2004-2023	100,000	–	2,525	97,475
Ninety-seventh series*	6%-7.1% due 2004-2023	100,000	–	1,900	98,100
Ninety-eighth series*	5.7%-6.2% due 2005-2015	100,000	–	–	100,000
Ninety-ninth series*	5 1/4%-7% due 2004-2015	86,000	–	–	86,000
One hundredth series	5 5/8%-5 3/4% due 2010-2030	135,000	–	–	135,000
One hundred first series*	5.1%-6% due 2004-2015	75,380	–	4,200	71,180
One hundred third series	4.7%-5 1/4% due 2004-2014	64,000	–	4,500	59,500
One hundred fourth series	4 3/4%-5.2% due 2011-2026	150,000	–	–	150,000
One hundred fifth series*	5%-6 1/4% due 2004-2016	116,760	–	6,340	110,420
One hundred sixth series*	5.3%-6% due 2004-2016	79,900	–	2,000	77,900
One hundred seventh series*	4.9%-6% due 2004-2016	100,000	–	–	100,000
One hundred eighth series*	4.8%-6% due 2004-2017	124,550	–	5,770	118,780
One hundred ninth series	5 3/8%-5 1/2% due 2012-2032	150,000	–	–	150,000
One hundred tenth series*	4.6%-5 3/8% due 2004-2017	83,390	–	3,800	79,590
One hundred eleventh series	5% due 2012-2032	100,000	–	–	100,000
One hundred twelfth series*	4 1/2%-5 1/4% due 2004-2018	130,060	–	5,530	124,530
One hundred thirteenth series	4 1/8%-4 3/4% due 2004-2013	105,000	–	14,250	90,750
One hundred fourteenth series	4 3/4%-5 1/2% due 2013-2033	100,000	–	–	100,000
One hundred fifteenth series	4.2%-4 3/8% due 2004-2008	41,000	–	6,000	35,000
One hundred sixteenth series	4 1/4%-5 1/4% due 2005-2033	450,000	–	–	450,000
One hundred seventeenth series*	4.1%-5 1/8% due 2004-2018	85,680	–	3,865	81,815
One hundred eighteenth series	4 1/4%-5.35% due 2004-2014	80,500	–	6,500	74,000
One hundred nineteenth series*	5%-5.875% due 2004-2019	271,680	–	10,510	261,170
One hundred twentieth series*	4 1/2%-6% due 2004-2035	280,835	–	10,365	270,470
One hundred twenty-first series	5%-5 1/2% due 2016-2035	200,000	–	–	200,000
One hundred twenty-second series*	5%-5 1/2% due 2004-2036	242,150	–	8,195	233,955
One hundred twenty-third series	4 3/4%-5% due 2017-2036	100,000	–	–	100,000
One hundred twenty-fourth series*	4 1/2%-5% due 2004-2036	292,340	–	8,570	283,770
One hundred twenty-fifth series	5% due 2018-2032	300,000	–	–	300,000
One hundred twenty-sixth series*	5%-5 1/2% due 2004-2037	300,000	–	9,920	290,080
One hundred twenty-seventh series*	4%-5 1/2% due 2004-2037	300,000	–	7,875	292,125
One hundred twenty-eighth series	4%-5% due 2007-2032	250,000	–	–	250,000
One hundred twenty-ninth series	2%-4% due 2004-2015	75,000	–	3,555	71,445
One hundred thirtieth series	1.30%-3 3/4% due 2004-2015	–	83,865	–	83,865
One hundred thirty-first series*	2%-5% due 2004-2033	–	500,000	–	500,000
One hundred thirty-second series	5% due 2024-2038	–	300,000	–	300,000
Consolidated notes					
Series TT	3 5/8% due 2004	200,000	–	–	200,000
Series UU	2% due 2003	–	250,000	250,000	–
Series VV*	1.15% due 2003	–	250,000	250,000	–
Consolidated bonds and notes pursuant to Port Authority bond resolutions (c)		6,630,205	$1,388,356	$965,265	7,053,296
Less unamortized discount and premium (d)		143,378			140,002
Consolidated bonds and notes		$6,486,827			$6,913,294

A. CONSOLIDATED BONDS AND NOTES (continued)

(a) Includes $8,313,000 serial bonds issued on a capital appreciation basis; the only payments with respect to these bonds will be made at their respective maturities, ranging from years 2004 to 2011, in total aggregate maturity amounts of $29,035,000.

(b) Includes $12,450,000 serial bonds issued on a capital appreciation basis; the only payments with respect to these bonds will be made at their respective maturities, ranging from years 2004 to 2014, in total aggregate maturity amounts of $40,970,000.

(c) Debt service requirements to maturity for consolidated bonds and notes outstanding on December 31, 2003 are as follows:

Year ending December 31:	Principal	Interest	Debt Service
		(In thousands)	
2004	$ 420,420	$ 348,280	$ 768,700
2005	233,925	335,885	569,810
2006	235,780	325,108	560,888
2007	236,060	314,176	550,236
2008	236,525	302,767	539,292
2009-2013	1,332,725	1,327,179	2,659,904
2014-2018	1,243,675	961,087	2,204,762
2019-2023	907,405	691,677	1,599,082
2024-2028	954,705	455,705	1,410,410
2029-2033	833,710	225,389	1,059,099
2034-2038	335,210	67,484	402,694
2039-2094***	100,000	314,621	414,621
	$7,070,140	$5,669,358	$12,739,498

*** Debt service 2039-2094 reflects principal and interest payments associated with a single series of outstanding consolidated bonds.

Total principal of $7,070,000 shown above differs from the total consolidated bonds and notes pursuant to Port Authority bond resolutions of $7,053,000 because of differences in the par value at maturity of the capital appreciation bonds of $16,844,000.

(d) Amount includes the unamortized difference between acquisition price and carrying amount on refunded debt.

Consolidated bonds and notes outstanding as of February 27, 2004 (pursuant to Port Authority bond resolutions) totaled $7,548,417,000.

The Board of Commissioners has authorized the issuance of consolidated bonds, one hundred thirty-third series through one hundred forty-second series, in aggregate principal amount of up to $500 million of each series, and consolidated notes, Series WW, XX and YY of up to $300 million in aggregate principal amount of each series.

The Port Authority operates JFK and LaGuardia Airport (LGA) under a lease agreement with the City of New York, which expires in 2015. During 1994, the City of New York suspended negotiations to extend the lease term. In the context of the suspension of negotiations to extend the term of the lease, in 1994 the Port Authority instituted a program to accelerate the retirement of certain consolidated bonds that were outstanding as of December 31, 1994, and had maturities extending beyond 2015, in which the lease expired. As of December 31, 2003, the Port Authority had achieved its program goals through the year 2011 with the retirement of $1,380,290,000 in principal amount of such consolidated bonds, through open-market purchases and refundings. Additionally, bonds issued for purposes of capital projects at JFK and/or LGA were structured to mature on or before December 31, 2015. As a result of the authorization in November 2003 by the Board of Commissioners of a Memorandum of Understanding between the City of New York and the Port Authority in with respect to the extension of the lease agreement covering JFK and LGA (see Note G), the program of accelerated retirements and maturity limitations was discontinued.

During 2003, the Port Authority refunded $83,865,000 in outstanding consolidated bonds. Although the refundings resulted in an additional cash outlay of $2,441,000, the Port Authority in effect reduced its aggregate debt service payments by approximately $30,336,000 over the life of the refunded issues. The economic gain resulting from the debt refunding (the difference between the present value of the cash flows required to service the old debt and the present value of the cash flows required to service the new debt) is worth approximately $11,800,000 in present value savings to the Port Authority.

B. COMMERCIAL PAPER NOTES

Commercial paper obligations are issued to provide interim financing for authorized projects at Port Authority facilities and may be issued until December 31, 2005, in an aggregate principal amount outstanding at any one time not in excess of $500 million in two separate series. Each series includes a standby revolving credit facility and the maximum aggregate principal amount that may be outstanding at any one time is $300 million for Series A and $200 million for Series B.

	Dec. 31, 2002	Issued	Refunded/ Repaid	Dec. 31, 2003
		(In thousands)		
Series A*	$109,536	$1,444,121	$1,392,627	$161,030
Series B	70,872	620,031	602,733	88,170
	$180,408	$2,064,152	$1,995,360	$249,200

Interest rates for all commercial paper notes ranged from 0.70% to 1.35% in 2003.

As of February 27, 2004, commercial paper notes outstanding totaled $274,305,000.

C. VARIABLE RATE MASTER NOTES

Variable rate master notes may be issued in aggregate principal amounts outstanding at any one time not to exceed $400 million.

	Dec. 31, 2002	Issued	Refunded/ Repaid	Dec. 31, 2003
		(In thousands)		
Agreements 1989-1995*	$ 69,900	$ —	$ —	$ 69,900
Agreements 1989-1998	80,090	—	—	80,090
	$149,990	$ —	$ —	$149,990

Interest rates are determined weekly, based upon specific industry indices (e.g. three-month Treasury bill rate, tax exempt note rate published by Lehman Brothers, JP Morgan Rate published by JP Morgan or the Bond Market Association rate) as stated in each master note agreement, and ranged from 0.68% to 1.676% in 2003.

Debt service requirements on outstanding variable rate master notes, valued for presentation purposes at the rate in effect on December 31, 2003, would be as follows:

	Principal	Interest	Debt Service
		(In thousands)	
2004	$ —	$ 1,927	$ 1,927
2005	—	1,921	1,921
2006	—	1,921	1,921
2007	—	1,921	1,921
2008	—	1,927	1,927
2009-2013	—	9,633	9,633
2014-2018	13,090	8,917	22,007
2019-2023	117,000	5,107	122,107
2024-2025	19,900	449	20,349
	$149,990	$33,723	$183,713

Variable rate master notes are subject to prepayment at the option of the Port Authority or upon demand of the holders.

D. VERSATILE STRUCTURE OBLIGATIONS

	Dec. 31, 2002	Issued	Refunded/ Repaid	Dec. 31, 2003
		(In thousands)		
Series 1R*, 4*, 6*	$281,900	$ —	$4,100	$277,800
Series 2, 3, 5	278,700	—	2,000	276,700
	$560,600	$ —	$6,100	$554,500

Variable interest rates, set daily by the remarketing agent for each series, ranged from 0.44% to 1.75% in 2003.

Debt service requirements on outstanding versatile structure obligations, valued for presentation purposes at the rate in effect on December 31, 2003, would be as follows:

	Principal	Interest	Debt Service
		(In thousands)	
2004	$ 10,500	$ 7,184	$ 17,684
2005	11,900	7,044	18,944
2006	12,500	6,887	19,387
2007	14,000	6,721	20,721
2008	16,800	6,524	23,324
2009-2013	136,200	28,078	164,278
2014-2018	172,400	18,040	190,440
2019-2023	124,300	7,648	131,948
2024-2028	55,900	1,504	57,404
	$554,500	$89,630	$644,130

The Port Authority has entered into a separate standby certificate purchase agreement pertaining to each series of versatile structure obligations with certain banks, which provide that during the term of the banks' commitment (generally three years, subject to renewal), if the remarketing agent fails to remarket any obligations that are tendered by the holders, the bank may be required, subject to certain conditions, to purchase such unremarketed portion of the obligations. If not purchased prior thereto at the Port Authority's option, the Port Authority has agreed to purchase such portion of the obligations within 90 business days after the purchase thereof by the bank. Bank commitment fees during 2003 in connection with the agreements were $1,311,000. No bank was required to purchase any of the obligations under the agreements in 2003.

E. PORT AUTHORITY EQUIPMENT NOTES

Equipment notes may be issued in aggregate principal amounts outstanding at any one time not to exceed $250 million.

	Dec. 31, 2002	Issued	Refunded/ Repaid	Dec. 31, 2003
		(In thousands)		
Notes 1997-2001*	$ 24,400	$ —	$ 7,800	$16,600
Notes 1997-2002	82,700	—	37,500	45,200
	$107,100	$ —	$45,300	$61,800

Variable interest rates, set weekly by a remarketing agent for each series, ranged from 0.75% to 1.65% in 2003.

Annual debt service requirements on outstanding Port Authority equipment notes, valued for presentation purposes at the rate in effect on December 31, 2003, would be as follows:

	Principal	Interest	Debt Service
		(In thousands)	
2004	$15,900	$ 647	$16,547
2005	18,000	579	18,579
2006	—	360	360
2007	—	360	360
2008	27,900	176	28,076
	$61,800	$2,122	$63,922

F. FUND BUY-OUT OBLIGATION

	Dec. 31, 2002	Accretion (a)	Refunded/ Repaid	Dec. 31, 2003
		(In thousands)		
Obligation outstanding	$424,513	$34,030	$35,213	$423,330

(a) Represents the annual implicit interest cost (8.25%) contained in the present value of amounts due to the States of New York and New Jersey upon the termination, in 1990, of the Fund for Regional Development.

Payment requirements of the fund buy-out obligation outstanding on December 31, 2003 are as follows:

Year ending December 31:	Payments
	(In thousands)
2004	$ 35,211
2005	35,213
2006	35,211
2007	43,216
2008	43,211
2009-2013	232,058
2014-2018	260,064
2019-2021	160,027
	$844,211

As of February 27, 2004, the fund buy-out obligation outstanding totaled $428,800,000.

2. Amounts Payable — Special Project Bonds

Neither the full faith and credit of the Port Authority, nor the General Reserve Fund, nor the Consolidated Bond Reserve Fund are pledged to the payment of the principal and interest on special project bonds. Principal and interest on each series of special project bonds are secured solely by a mortgage by the Port Authority of facility rental (to the extent received by the Port Authority from a lessee) as set forth in a lease with respect to a project to be financed with the proceeds of the bonds of such series, by a mortgage by the lessee of its leasehold interest 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.

	Dec. 31, 2002	Issued	Repaid/ Amortized	Dec. 31, 2003
		(In thousands)		
Series 1R, Delta Air Lines, Inc. Project (a)				
6.95% term bonds, due 2008	$ 96,500	$ —	$ —	$ 96,500
Series 2, Continental Airlines, Inc. and Eastern Air Lines, Inc. Project (b)*				
9%-9⅛%, due 2004-2015	182,050	—	7,910	174,140
Less: unamortized discount and premium	6,283		487	5,796
Total — Series 2	175,767	—	7,423	168,344
Series 4, KIAC Partners Project (c)*				
6¾%-7% due 2004-2019	229,800	—	8,800	221,000
Less: unamortized discount and premium	3,206	—	191	3,015
Total — Series 4	226,594	—	8,609	217,985
Series 6, JFK International Air Terminal LLC Project (d)*				
5.20%-7% due 2004-2025	934,100	—	5,500	928,600
Less: unamortized discount and premium	7,691	—	336	7,355
Total — Series 6	926,409	—	5,164	921,245
Amounts payable — special project bonds	$1,425,270	$ —	$21,196	$1,404,074

(a) Special project bonds, Series 1R, Delta Air Lines, Inc. Project, were issued in connection with a project that includes the construction of a passenger terminal building at LaGuardia Airport leased to Delta Air Lines, Inc.

(b) Special project bonds, Series 2, Continental Airlines, Inc. and Eastern Air Lines, Inc. Project, were issued in connection with a project including the construction of a passenger terminal at LaGuardia Airport leased to and to be occupied by Continental Airlines Inc. and Eastern Air Lines, Inc. The leasehold interest of Eastern Air Lines, Inc. was assigned to Continental Airlines, Inc. Continental's leasehold interest in such passenger terminal, including the previously acquired leasehold interest of Eastern was subsequently assigned to USAir, Inc. (with Continental to remain liable under both underlying leases).

(c) Special project bonds, Series 4, KIAC Partners Project, were issued to refund the Series 3 bonds, and in connection with a project at John F. Kennedy International Airport, that includes the construction of a cogeneration facility, the renovation and expansion of the central heating and refrigeration plant, and the renovation and expansion of the thermal distribution system.

(d) Special project bonds, Series 6, JFK International Air Terminal LLC Project, were issued in connection with a project that includes the development and construction of a new passenger terminal at John F. Kennedy International Airport.

3. Interest Rate Exchange Contracts (Swaps)

The Port Authority records interest rate exchange contracts pursuant to the settlement method of accounting whereby cash paid or received under the terms of the swap is charged or credited to the related interest expense account for the purpose of managing interest rate exposure. Each swap transaction involves the exchange of fixed and variable rate interest payment obligations with respect to an agreed upon nominal principal amount called a "notional amount".

Objective

The Port Authority entered into four pay-fixed, receive-variable interest rate swaps on a forward basis in order to protect against the potential of rising interest rates between the execution date and the effective date and to preserve the net present value savings of the bond refunding associated with each swap transaction. Each swap is matched against a Versatile Structure Obligation, the proceeds of which were used to refund outstanding high-coupon fixed rate debt. The combination of the swaps and the associated variable rate debt created synthetic fixed rate-refunding bonds.

The notional amount of the swaps matches the principal amount of the associated debt. The Port Authority's swap agreements contain scheduled reductions to outstanding notional amounts to approximately follow scheduled reductions of the associated debt. The terms, including the fair values and credit ratings of the outstanding swaps as of December 31, 2003, are as follows:

Associated Debt	Notional Amount	Execution Date	Effective Date	Fixed Rate Paid	Variable Rate Received	Fair Value	Swap Termination Date	Counterparty Credit Rating (a)
VSO 2	$ 85,760,000	10/13/1993	3/3/1994	6.875%	JJK (b)	$(22,100,493)	7/1/2005	A+/Aa3/AA–
VSO 3	91,000,000	2/18/1993	7/15/1995	5.950%	JJK (b)	(18,285,417)	7/15/2005	A+/Aa3/AA–
VSO 4	100,000,000	2/24/1995	5/1/1996	5.570%	JJK (b)	(9,281,921)	5/1/2006	A+/Aa3/AA–
VSO 5	100,000,000	9/7/1995	8/1/1996	5.473%	BMA (c)	(9,401,620)	8/1/2006	A+/Aa3/AA–
Total	**$376,760,000**					**$(59,069,451)**		

(a) Ratings supplied by Standard & Poor's/Moody's/Fitch Ratings.

(b) The JJ Kenny "High Grade" Index.

(c) The Bond Market Association Municipal Swap Index.

Debt service requirements of the underlying variable rate debt and net swap payments, valued for presentation purposes at the rate in effect on December 31, 2003, are shown below. As rates vary, variable rate debt interest payments and net swap payments will vary.

Year Ending December 31	Versatile Structure Obligations Principal	Versatile Structure Obligations Interest	Interest Rate Swaps, Net	Total
		(In thousands)		
2004	$ 6,200	$ 4,852	$ 17,858	$ 28,910
2005	7,500	4,769	17,524	29,793
2006	7,900	3,334	12,477	23,711
2007	9,200	2,155	8,247	19,602
2008	9,600	2,103	7,783	19,486
2009-2013	94,500	8,750	30,426	133,676
2014-2018	126,400	4,505	14,028	144,933
2019-2023	97,300	246	800	98,346
2024-2028	18,100	—	—	18,100
Total	$376,700	$30,714	$109,143	$516,557

Fair Value

Because interest rates have declined, all swaps had a negative fair value as of December 31, 2003. The negative fair values may be countered by reductions in total interest payments under the variable rate obligations, creating lower synthetic interest rates. Because interest rates on the Versatile Structure Obligations are reset on a daily basis, thereby reflecting market interest rates, the obligations do not have corresponding fair value increases. The fair values of the swaps were estimated using the zero coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swaps.

Credit Risk

As of December 31, 2003, the Port Authority was not exposed to credit risk on any of its outstanding swaps because the swaps had negative fair values. However, should interest rates change and the fair values of the swaps become positive, the Port Authority would be exposed to credit risk in the amount of the swaps' fair value.

All of the swap agreements provide each party the right to set-off, counterclaim, or withhold payment upon and during the continuation of an event of default by the other party until the event of default is remedied, and, in addition, an early termination date may be designated if an event of default occurs. Of the four swap transactions currently outstanding, three swaps are held with one counterparty. Both counterparties are rated A+/Aa3/AA–.

Basis Risk

The Port Authority's interest payments on the associated debt are equivalent to the daily variable market rates set by the remarketing agent. The Port Authority receives a variable rate payment based on an index other than the daily market rates on each swap and would be exposed to basis risk should the relationship between the actual rate and the swap rate index differ. To the degree these rates differ, expected cost savings may not be realized. As of December 31, 2003, the variable market rates were 1.27%, 1.29%, 1.29% and 1.32%, whereas the swap rate indexes were 1.15% for the JJ Kenny "High Grade" Index and 1.23% for the Bond Market Association Municipal Swap Index.

Termination Risk

The Port Authority or the counterparty may terminate any of the swaps if the other party fails to perform under the terms of the agreement. If any of the swaps are terminated, the associated variable rate debt will no longer carry synthetic fixed interest rates. Also, if at the time of termination the counterparty suffers a loss, the Port Authority would be liable to the counterparty for a payment calculated pursuant to the agreement with respect to such loss.

Rollover Risk

The Port Authority is exposed to rollover risk on swaps that mature or may be terminated prior to the maturity of the associated debt. When these swaps terminate, the Port Authority will not realize the synthetic rate offered by the swaps on the underlying issues. The following debt is exposed to rollover risk:

Associated Debt	Associated Debt Maturity Date	Swap Termination Date
VSO 2	5/1/2019	7/1/2005(d)
VSO 3	6/1/2020	7/15/2005(d)
VSO 4	4/1/2024	5/1/2006
VSO 5	8/1/2024	8/1/2006

(d) When the swap agreement was originally executed, notwithstanding its automatic termination in 2005, it was based on a market rate to the maturity date of the series of Versatile Structure Obligations to which it pertained. At the end of the initial term of the swap agreement, a payment will either be made to the Port Authority or to the counterparty. In the event that a new swap agreement is entered into with the same counterparty for the remaining term of such series of Versatile Structure Obligations, it was intended that the payment calculated at the end of the initial term of the swap agreement, combined with the new swap agreement, would equal the effective fixed rate at the original execution date.

Note E Reserves

The General Reserve Fund is pledged in support of Consolidated Bonds and Notes. Statutes which required the Port Authority to create the General Reserve Fund established the principle of pooling revenues from all facilities and require that the Port Authority apply surplus revenues from all of its existing facilities to maintain the General Reserve Fund in an amount at least equal to 10% of the par value of outstanding bonds legal for investment. At December 31, 2003, the General Reserve Fund balance was $948,902,000 and met the prescribed statutory amount.

The balance remaining of all net revenues of the Port Authority's existing facilities after deducting payments for debt service upon all Consolidated Bonds and Notes and the amount necessary to maintain the General Reserve Fund at its statutorily required amount, is to be paid into the Consolidated Bond Reserve Fund, which is pledged as additional security for all outstanding Consolidated Bonds and Notes. Consolidated Bonds and Notes have a first lien upon the net revenues (as defined in the Consolidated Bond Resolution) of all existing facilities of the Port Authority and any additional facility financed by Consolidated Bonds.

Other capital asset obligations (versatile structure obligations, commercial paper obligations, and variable rate master notes), and the interest thereon, are not secured by or payable from the General Reserve Fund. Principal of, and interest on, other capital asset obligations are payable solely from the proceeds of obligations issued for such purposes or from net revenues paid into the Consolidated Bond Reserve Fund and, in the event such proceeds or net revenues are insufficient therefore, from other moneys of the Port Authority legally available for such payments. Operating asset obligations (equipment notes and the Fund buy-out obligation) are paid in the same manner and from the same sources as operating expenses. Special project bonds are not secured by or payable from the General Reserve Fund or the Consolidated Bond Reserve Fund.

The Port Authority has a long-standing policy of maintaining total reserve funds in an amount equal to at least the next two years' bonded debt service on outstanding debt secured by a pledge of the General Reserve Fund. The moneys in the reserve funds may be accumulated or applied only to purposes set forth in legislation and the agreements with the holders of the Port Authority's obligations pertaining thereto. At December 31, 2003, the Port Authority met the requirements of the Consolidated Bond Resolution to maintain total reserve funds in cash and certain specified securities.

Note F Funding Provided by Others

During 2003 and 2002, the Port Authority received federal and state grants and contributions from other entities for various programs as summarized below:

1. Operating programs

- Federal Aviation Administration (FAA) K-9 program — The FAA provided funds used to offset the costs of training and caring for explosive detection dogs. Amounts received in connection with this program were approximately $600,500 in 2003 and $979,000 in 2002.

- Transportation Security Administration (TSA) funds for airport screening — The TSA provided approximately $9.1 million in 2003 and $11 million in 2002 to reimburse the Port Authority for costs primarily attributable to providing police personnel at the Port Authority's three major airports.

Grant receipts for operating activities are recorded as operating revenues on the Consolidated Statements of Revenues, Expenses and Changes in Net Assets and on Schedule A — Revenues and Reserves.

2. Non-operating grants

- Federal Emergency Management Agency (FEMA) Funds — February 2003 Snowstorm — The Port Authority received approximately $3.3 million in funds from FEMA for the reimbursement of certain costs incurred as a result of the Presidents' Day snowstorm in February 2003.

- TSA Port Security Grant — In 2003, the TSA provided approximately $1.9 million to reimburse the Port Authority for costs incurred as a result of implementing enhanced security at various ports in the New York and New Jersey region.

- New York State Department of Transportation (NYSDOT) — Congestion Mitigation and Air Quality Grants:

  George Washington Bridge — The Port Authority received approximately $600,000 in funds from the NYSDOT to help stimulate increased ridership on buses to and from the George Washington Bridge Bus Station in order to reduce automobile congestion in New York City and improve air quality.

  LGA — In 2003, the NYSDOT provided approximately $500,000 in funds for reimbursement of costs incurred by the Port Authority associated with the installation of a compressed natural gas station at LGA.

- Regional ferry pass-through grant program — The Port Authority has acted as a sponsoring agency for FEMA funds to expand ferry service to partially make up for the diminished cross-Hudson River public transportation service resulting from the destruction of the PATH World Trade Center station. Amounts recognized in connection with this program, which was effectively completed in December 2003, were approximately $28.2 million and $11.5 million during 2003 and 2002, respectively. NY Waterways, the provider of these ferry services, is currently under investigation by the Federal Government with respect to its activities in connection with the receipt of federal grant funds.

3. Contributions In Aid of Construction

The Port Authority receives contributions in aid of construction with respect to its facilities from federal, state and other entities. Federal and state contributions (including amounts receivable) were approximately $55 million in 2003 and $35.4 million in 2002. Contributions from other entities were $2.5 million in 2003 and $800,000 in 2002.

Note G Lease Commitments

1. Operating lease revenues

Gross operating revenues attributable to fixed rentals associated with operating leases amounted to $816.8 million in 2003 and $800.6 million in 2002.

2. Property held for lease

The Port Authority, its subsidiaries or affiliated entities have entered into operating leases with tenants for the use of space at various Port Authority facilities including buildings, terminals, offices and consumer service areas at air terminals, marine terminals, bus terminals, rail facilities, industrial parks, the Teleport, the World Trade Center and the Newark Legal and Communications Center. Investments in such facilities, as of December 31, 2003, include property associated with minimum rentals derived from the leases. 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.

Future minimum rentals are predicated upon the ability of the lessees to meet their commitments. Future minimum rentals scheduled to be received on operating leases in effect on December 31, 2003 are:

Year ending December 31:

	(In thousands)
2004	$ 652,737
2005	624,663
2006	559,869
2007	554,903
2008	564,255
Later years	101,154,638
Total future minimum rentals (a)	$104,111,065

(a) Includes future rentals of approximately $97.3 billion attributable to World Trade Center leases (see Note K).

3. Property leased from others

Rental expenses under leases, including payments to the cities of New York and Newark for various air terminals, marine terminals and other facilities and the cost of replacement office space due to the destruction of the World Trade Center, aggregated $240.6 million in 2003 and $128.7 million in 2002. Future minimum rentals scheduled to be paid on operating leases in effect on December 31, 2003 are detailed below. Additional rentals may be payable based on earnings of specified facilities under some of these leases.

Year ending December 31:

	(In thousands)
2004	$ 121,381
2005	121,085
2006	120,870
2007	120,732
2008	118,429
2009-2013	585,363
2014-2018	467,242
2019-2023	360,605
2024-2028	354,631
2029-2033	340,000
2034-2065	2,176,000
Total future minimum rent payments*	$4,886,338

* Future minimum rent payments for years 2034-2065 reflect payments associated with the City of Newark lease commitment. Future minimum rent payments do not include payments of approximately $90 million per year associated with the MOU authorized on November 20, 2003 with the City of New York with respect to the lease extension for JFK and LGA.

4. Information on leases at the New York City Airports, Newark Liberty International Airport (EWR) and Port Newark, and certain agreements relating to other Port Authority facilities located in the City of Newark.

The Port Authority operates JFK and LGA under a lease agreement entered into in 1947 and amended and supplemented from time to time thereafter, with the City of New York, which expires on December 31, 2015. The lease currently provides for basic annual rental payments to be made by the Port Authority to the City of approximately $3 million from 1985 through 1997, and $3.5 million for the remaining term of the lease. The City receives additional rent in any year in which the basic annual rental is less than the amount of airport revenues net of Port Authority expenses and debt service on obligations of the Port Authority incurred to provide capital improvements at LGA and JFK.

On November 20, 2003, the Board of Commissioners authorized the Port Authority to enter into a Memorandum of Understanding (MOU) with the City of New York with respect to the lease agreement covering JFK and LGA, and the agreement between the City of New York and the Port Authority with respect to payments-in-lieu-of-taxes (PILOT) to the City for the World Trade Center site. Among other items, the MOU provides for the extension of the lease agreement to December 31, 2050. Upon execution of the lease extension, an initial lump sum rental payment in the amount of $500 million, which may be deferred for up to two years at the discretion of the City of New York, and the minimum annual rental of $90 million for each of years 2002 and 2003, as well as the portion of such amounts for 2004 that has accrued at the time of execution, will be due to the City of New York. The balance of the minimum annual rent for 2004 will be paid in equal monthly installments over the remainder of the year. As of December 31, 2003 certain liabilities and expenses associated with the MOU have been reflected in the financial records of the Port Authority.

The execution of the amended lease agreement between the City and the Port Authority is conditioned upon the completion of the City of New York's Uniform Land Use Review Procedure, replacement of the current framework upon which flight fees paid by airlines operating at JFK and LGA are calculated on terms substantially similar to those currently in effect no later than July 1, 2004, and resolution by the City of New York and the Port Authority of all property issues with respect to the street grid at the World Trade Center site.

In October 2002, the Port Authority and the City of Newark entered into agreements pertaining to EWR and Port Newark, providing in part for an extension of the expiration date of the lease for each facility from December 31, 2031 to December 31, 2065. The agreements provide that, if the Port Authority enters into a new lease with the City of New York relating to JFK and LGA, or amends the existing lease with respect to those airports, the City of Newark will have the right to amend the provisions of its lease with the Port Authority to conform to the terms agreed upon with the City of New York (see Note J).

Note H Regional Programs

1. The Port Authority has established, at the request of the Governors of New York and New Jersey, several facilities described briefly below under which certain projects, not a part of other Port Authority facilities, have been and/or will be undertaken.

- **Regional Development Facility** — This facility was established in conjunction with a program of up to $250 million for transportation, economic development and infrastructure renewal projects authorized in connection with the Governors' Program of June 1983. Some of the projects in this program have been associated with other existing Port Authority facilities, while a balance of $139 million was associated with the Regional Development Facility.

- **Regional Economic Development Program** — This facility was authorized in 1989 in conjunction with a centralized program of up to $400 million for transportation, economic development and infrastructure renewal projects authorized pursuant to gubernatorial request. As of December 31, 2003, $394 million had been authorized of which $326 million was associated with the Regional Economic Development Program facility and the balance has been associated with other existing Port Authority facilities.

- **Oak Point Rail Freight Link** — The Port Authority has participated with the New York State Department of Transportation in the development of the Oak Point Rail Freight Link, which was authorized in 1980. Approximately $63 million of the $102 million Port Authority's share of the total project cost was allocated against moneys made available through the Regional Development Facility and the Regional Economic Development Program.

- **The New Jersey Marine Development Program** — This program, authorized in 1989, was undertaken to fund certain fishery, marine or port development projects in the State of New Jersey with a total cost of $27 million.

- **New York Transportation, Economic Development and Infrastructure Renewal Program** — This facility was authorized in 2000 in conjunction with a program of up to $250 million for transportation, economic development and infrastructure renewal projects in the State of New York to be designated by the Governor. As of December 31, 2003, projects totaling approximately $230 million have been designated by the Governor.

- **Regional Transportation Program** — This facility was authorized in 2002 in conjunction with a program to provide up to $500 million, with $250 million to be provided in each of the States of New York and New Jersey, for regional transportation initiatives to be designated by the respective Governor of each state. As of December 31, 2003, the Governor of the State of New Jersey had designated a project totaling approximately $250 million for the acquisition of bi-level rail cars for New Jersey Transit Corporation as the New Jersey transportation project to be effectuated through this facility.

- **Hudson-Raritan Estuary Resources Program** — This facility was authorized in 2001 in conjunction with a program to acquire certain real property in the Port District area of the Hudson-Raritan Estuary, in support of the Port Authority's capital program. The property would be acquired in consultation with the Governor of the State in which the property is located together with the respective state natural resources agencies and environmental organizations. The cost of any real property to be acquired under this program will not exceed $60 million (with up to $30 million allocated to property to be acquired in each state).

- **Regional Rail Freight Program** — This facility was authorized in 2001 to provide for the Port Authority to participate, in consultation with other governmental entities in the States of New York and New Jersey, in the development of rail freight projects to increase regional capacity. The Port Authority is authorized to provide up to $50 million, with $25 million to be provided for projects in each of the states.

As of December 31, 2003, $1.2 billion has been expended for regional programs. Costs for regional programs are deferred and amortized over the period benefited, up to a maximum of 15 years. The unamortized costs of the regional programs are as follows:

	Dec. 31, 2002	Project Expenditures	Amortization	Dec. 31, 2003
		(In thousands)		
Regional Development Facility	$ 84,527	$ 133	$ 6,039	$ 78,621
Regional Economic Development Program	267,240	5,000	20,361	251,879
Oak Point Rail Freight Link	22,819	—	1,630	21,189
New Jersey Marine Development Program	11,524	—	824	10,700
New York Transportation, Economic Development and Infrastructure Renewal Program	—	37,466	1,469	35,997
Regional Transportation Program	—	51,065	1,500	49,565
Hudson-Raritan Estuary Resources Program	—	2	—	2
Regional Rail Freight Program	—	6,500	289	6,211
Total unamortized costs of regional programs	$386,110	$100,166	$32,112	$454,164

2. Bi-State Initiatives — From time to time the Port Authority makes payments to assist various bi-state regional operating initiatives. During 2003, the Port Authority expended $9 million on regional initiatives.

3. Buy-out of Fund for Regional Development — In 1983, the Fund for Regional Development (Fund) was established to sublease space in the World Trade Center that was previously held by the State of New York as tenant. An agreement between the Port Authority and the States of New York and New Jersey with respect to the Fund provided that net revenues from the subleasing were to be accumulated subject to disbursements to be made upon the concurrence of the Governors of New York and New Jersey. The assets, liabilities, revenues and expenses of the Fund were not consolidated with those of the Port Authority. In 1990, the Port Authority and the States of New York and New Jersey agreed to terminate the Fund. The present value (calculated at the time of the termination agreement) of the cost to the Port Authority of its purchase of the Fund's interest in the World Trade Center subleased space was approximately $431 million. The liability for payments to the States of New York and New Jersey attributable to the Fund buy-out is further described in Note D.

Note I Pension Plans and Other Employee Benefits

1. Pension Plans

a. Generally, full-time employees of the Port Authority (but not its subsidiaries) are required to join one of two cost-sharing multiple-employer defined benefit pension plans, the New York State and Local Employees' Retirement System (ERS) or the New York State and Local Police and Fire Retirement System (PFRS), collectively referred to as the "Retirement Systems". The New York State Constitution provides that membership in a pension or retirement system of the State or of a civil division thereof is a contractual relationship, the benefits of which may not be diminished or impaired.

The Retirement Systems provide retirement benefits related to years of service and final average salary, death and disability benefits, vesting of benefits after a set period of credited public service (generally five years), and optional methods of benefit payment. Depending upon the date of membership, retirement benefits differ as to the qualifying age or years-of-service requirement for service retirement, the benefit formula used in calculating the retirement allowance and the contributory or non-contributory nature of the plan. Contributions are not required from police personnel who are members of the PFRS or from those non-police employees who joined the ERS prior to July 27, 1976 or, effective October 1, 2000, members of the ERS with more than ten years of credited service. ERS members with less than ten years of credited service are required to contribute 3% of their annual gross wages to the ERS.

The Port Authority's payroll expense for 2003 was $526,550,000 of which $351,590,000 and $166,078,000 represent the cost for employees covered by ERS and PFRS, respectively.

Required Port Authority contributions to the Retirement Systems, including costs for participation in retirement incentive programs, are as follows:

Year Ended	ERS	% of Covered Payroll	PFRS	% of Covered Payroll
		(In thousands)		
2003	$27,548	5.3%	$11,818	2.2%
2002	$ 3,350	0.6%	$ 7,455	1.4%
2001	$ 9,661	2.0%	$ 4,720	1.0%

These contributions cover the entire funding requirements for the current year and each of the two preceding years.

Employee contributions of $7,913,000 to the ERS represented 1.5% of the total Port Authority covered payroll in 2003.

The Annual Report of the New York State and Local Retirement Systems, which provides details on valuation methods and ten year historical trend information, is available from the Comptroller of the State of New York, 110 State Street, Albany, NY 12236.

b. Employees of the Port Authority Trans-Hudson Corporation are not eligible to participate in existing New York State Retirement Systems. PATH provides supplemental pension plans for most of its union employees. Annual PATH contributions to these plans are defined in the various collective bargaining agreements; no employee contributions are required. Eligibility for all benefits prior to normal retirement requires the completion of at least five years of vested service and depends upon years of credited service and monthly benefit rates in effect at the time of retirement. Trustees, appointed by the various unions, are responsible for the administration of these pension plans. PATH payroll expense in 2003 for these employees was $65,321,000. For the year 2003, contributions made by PATH in accordance with the terms of various collective bargaining agreements totaled $3,666,000, which represented approximately 4.9% of the total PATH covered payroll for 2003. Contributions in 2002 and 2001 were $3,569,000 and $3,088,000 respectively.

2. Other Employee Benefits

The Port Authority and PATH provide certain group health care, dental, vision and term 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 participants. 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 by service providers on behalf of the Port Authority or PATH. The actuarially determined valuation of these benefits is reviewed annually for the purpose of estimating the present value of future benefits for active and retired employees and their dependents. As of December 31, 2003, the actuarially determined value of these benefits is $957,900,000 consisting of the following:

	Port Authority	PATH	Total
		(In millions)	
Retirees	$712.6	$70.9	$783.5
Active	160.6	13.8	174.4
Total	$873.2	$84.7	$957.9

The obligation accrued as of December 31, 2003 was $527,027,000. The difference between the actuarial present value of future benefits for prior service and the amount accrued as of December 31, 2003 is being amortized over a 15 year period.

The cost of providing health care, dental, vision and life insurance benefits, not including the accrual for prior service costs, totaled $135,440,000 in 2003 and $125,050,000 in 2002, of which $51,845,000 in 2003 and $45,681,000 in 2002 were the costs associated with providing these benefits to retired employees and their eligible dependents.

Note J Commitments and Certain Charges to Operations

1. On December 11, 2003, the Board of Commissioners adopted the annual budget for 2004. Approval of a budget by the Board of Commissioners does not in itself authorize any specific expenditures, which are authorized from time to time by or as contemplated by other actions of the Board of Commissioners of the Port Authority consistent with statutory, contractual and other commitments of the Port Authority, including agreements with the holders of its obligations.

2. At December 31, 2003, the Port Authority had entered into various construction contracts totaling approximately $1.4 billion, which are expected to be completed within the next three years.

3. The Port Authority carries insurance or requires insurance to be carried (if available) on or in connection with its facilities to protect against direct physical loss or damage and resulting loss of revenue and against liability in such amounts as it deems appropriate, considering self-insured retentions, exceptions, or exclusions of portions of facilities, and the scope of insurable hazards.

Insurance coverage as of December 31, 2003 is as follows:

a. Property damage and loss of revenue insurance program:

	General Coverage (excluding terrorism)	Terrorism Coverage
Limits:	• $475 million, per occurrence, excess of deductible and self-insurance	• $25 million full terrorism coverage, per occurrence, excess of deductible and self-insurance • $450 million TRIA* coverage, per occurrence, excess of $25 million full terrorism coverage
Deductible:	• $5 million per occurrence	• $5 million per occurrence
Self-Insurance:	• $25 million in the aggregate, excess of deductible • Upon sustaining $25 million in aggregate losses above the deductible, purchased coverage applies	• $25 million in the aggregate, excess of deductible • Upon sustaining $25 million in aggregate losses above the deductible, purchased coverage applies

b. Public liability insurance program:

1. Aviation facilities

	General Coverage (excluding terrorism)	Terrorism Coverage
Limits:	• $1 billion, per occurrence and in the aggregate, excess of deductible	• $1 billion aviation war risk coverage, per occurrence and in the aggregate, excess of deductible
Deductible:	• $3 million per occurrence	• $3 million per occurrence

2. Non-aviation facilities

	General Coverage (excluding terrorism)	Terrorism Coverage
Limits:	• $750 million per occurrence and in the aggregate, excess of deductible	• $50 million full terrorism coverage, per occurrence and in the aggregate, excess of deductible • $200 million TRIA* coverage, per occurrence and in the aggregate, excess of $50 million full terrorism coverage
Deductible:	• $5 million per occurrence	• $5 million per occurrence
Self-insurance:	• 10% of $50 million excess of deductible	• 10% of $50 million excess of deductible

* The Terrorism Risk Insurance Act of 2002

At December 31, 2002, public liability insurance totaled $1 billion per occurrence for aviation facilities and $750 million for non-aviation facilities per occurrence and in the aggregate.

During each of the past three years, claims payments have not exceeded insurance coverage.

In providing for uninsured potential losses, the Port Authority administers its self-insurance program by applications from the Consolidated Bond Reserve Fund and provides for losses by charging operating expense as liabilities are incurred.

A liability is recognized when it is probable that the Port Authority has incurred an uninsured loss and the amount of the loss can be reasonably estimated. The liability for unpaid claims is based upon the estimated cost of settling the claims, which includes a review of estimated claims expenses and estimated recoveries. Changes in the liability amounts in 2002 and 2003 were:

	Beginning Balance	Additions and Changes	Payments	Year-end Balance
		(In thousands)		
2002	$13,384	$(1,322)	$3,356	$8,706
2003	$ 8,706	$ 4,727	$4,779	$8,654

4. The 2003 balance of "Other amounts receivable, net" on the Consolidated Statements of Net Assets consists of the anticipated recovery of $874 million net book value of various assets which comprised components of the World Trade Center complex destroyed on September 11, 2001; $109 million representing the balance due from the private full service vendor operating the plant at the Essex County Resource Recovery Facility, under the conditional sale agreement through which the vendor financed a portion of the construction costs of the plant; $6 million representing the balance due from Howland Hook Container Terminal, Inc. for the purchase of five cargo cranes; and $47 million in long-term receivables from Port Authority tenants. The Port Authority has contractual agreements to collect $15 million of the "Other amounts receivable, net" balance during 2004.

5. On November 20, 2003, the Board of Commissioners of the Port Authority authorized a Memorandum of Understanding (MOU) with the City of New York (executed on January 16, 2004) which, among other items, provides for the extension of the lease agreement relating to JFK and LGA to December 31, 2050 effective as of January 1, 2002. Certain contingencies exist within the MOU that need to be satisfied before the agreement will be executed. The Port Authority presently anticipates that all of the contingencies set forth in the MOU will be satisfied in the required time frames and a new lease agreement will be executed. As of December 31, 2003, the Port Authority recognized a liability of approximately $688.7 million, representing the lump sum payment of $500 million and the additional base rent payments of $90 million for each of years 2002 and 2003 that will be made to the City upon execution of the agreement, as set forth in the MOU. The balance of the liability associated with the agreement is attributable to the 2003 interest expense on the additional 2002 and 2003 base rent amounts. The lump sum payment and the additional base rent for 2002 have been deferred and will be amortized through 2050.

Additionally, under the terms of the October 31, 2002 agreements between the City of Newark and the Port Authority pertaining to EWR and Port Newark, if the Port Authority enters into a new lease with the City of New York relative to JFK and LGA, the City of Newark will have the right to amend the provisions of its lease with the Port Authority with respect to EWR to conform to the terms agreed upon with the City of New York. The Port Authority has not recorded a liability for any additional rental payments because the agreement with the City of Newark has not been finalized and the amount of any additional payments has not been determined (see Note G).

6. The City of New York commenced several actions, the first of which occurred in 1999, in the Supreme Court of the State of New York alleging that the Port Authority breached its agreement to make payments in-lieu-of taxes (PILOT) relating to the World Trade Center. On November 20, 2003, the Board of Commissioners of the Port Authority authorized a MOU with the City which, among other items, provides for the Port Authority and the City of New York to enter into an amended agreement with respect to PILOT for the World Trade Center site. Upon execution of the amended agreement, all pending litigation with respect to PILOTs will be terminated with prejudice.

Under the amended agreement with respect to PILOTs, beginning January 1, 2004, the Port Authority would make a minimum annual payment equal to 12% of rent payments from the net lessees of One, Two, Four and Five World Trade Center and the retail components of the World Trade Center. Upon full development of the site, the Port Authority would pay the greater of the minimum annual payment or an increased amount, which escalates based upon a base amount of $55 million, a multiplier based on values of comparable Manhattan commercial office space, and the amount of occupied space in the buildings that are developed on the site (see Note G).

7. In October 2002 and November 2003, the Port Authority and the Newark Legal and Communications Center Urban Renewal Corporation received tax bills for the calendar years 2001, 2002 and 2003 totaling approximately $200,000, based on the City of Newark's assessed value for the land upon which the Newark Legal and Communications Center is located. The Port Authority is contesting the City of Newark's allegation that the land upon which the Newark Legal and Communications Center is located is subject to real property tax.

8. Employees of PATH are not eligible to participate in existing New York State Retirement Systems. However, for PATH employees who are not covered by collective bargaining agreements, the Port Authority has recognized, as a matter of policy, an obligation to provide supplemental payments resulting in amounts generally comparable to benefits available to similarly situated Port Authority employees. Such payments for PATH exempt employees totaled $1,956,000 in 2003 and $1,945,000 in 2002.

9. The 2003 balance of "Other noncurrent liabilities" consists of the following:

	Dec. 31, 2002	Additions	Deductions	Dec. 31, 2003
		(In thousands)		
Workers' compensation liability	$ 42,404	$14,744	$13,668	$43,480
E-ZPass true-up liability	46,323	—	46,323	—
PATH exempt employee supplemental	18,231	2,942	1,956	19,217
Surety and security deposits	9,677	3,417	2,391	10,703
Claims liability	8,706	4,727	4,779	8,654
Other	18,426	1,942	2,620	17,748
Gross other liabilities	$143,767	$27,772	$71,737	99,802
Less current portion:				
Workers' compensation liability				13,603
PATH exempt employee supplemental				1,956
Total other noncurrent liabilities				$84,243

10. On December 31, 2003, the Port Authority and the Brooklyn Bridge Park Development Corporation (BBPDC) entered into a Memorandum of Understanding providing for the Port Authority to transfer its property rights in Piers 1, 2, 3 and 5 at the Brooklyn-Port Authority Marine Terminal to BBPDC, and to allocate approximately $85 million for the development of a park on such property, subject to completion of certain environmental reviews and completion of the planning and authorization necessary for the BBPDC to acquire the property. The net book value of the piers as of December 31, 2003 was $ 31.6 million.

Note K Information with Respect to the Events of September 11, 2001

The World Trade Center's components, which included two 110-story office towers (One and Two World Trade Center), two nine-story office buildings (Four and Five World Trade Center), an eight-story office building (Six World Trade Center), a 22-story hotel (Three World Trade Center), a 47-story office building (Seven World Trade Center), an electrical sub-station (Con Ed Substation) under Seven World Trade Center, a retail shopping mall, and a six level sub-grade area located below the World Trade Center complex, together with the PATH-World Trade Center rail station (PATH-WTC station) were destroyed as a result of the terrorist attacks of September 11, 2001.

On July 24, 2001, the Port Authority entered into net leases with respect to One, Two, Four and Five World Trade Center with single purpose entities established by Silverstein Properties, Inc. (the Silverstein net lessees), and with respect to the retail components of the World Trade Center, with a single purpose entity established by an affiliate of Westfield America, Inc. (Westfield). The terms of the 99-year net leases generally required the net lessees to pay in the aggregate $616 million upon commencement of the net leases, base rent starting at $102 million annually and, when applicable, a graduating percentage of gross revenues. The net leases do not provide for rent abatement before or during the restoration period.

The terms of the net leases establish both an obligation and concomitant right for the net lessees, at their sole cost and expense, to restore their net leased premises following a casualty whether or not the damage is covered by insurance proceeds in accordance, to the extent feasible, prudent and commercially reasonable, with the plans and specifications as they existed before the casualty or as otherwise agreed to with the Port Authority. The net lessees obtained property damage and business interruption insurance in a combined single limit of approximately $3.5 billion per occurrence. Since the events of September 11, 2001, the insurance companies participating in this program have made advances of approximately $2 billion under the program. Approximately $1.3 billion of these advances has been used for the net lessees' business interruption expenses, including the payment of rent to the Port Authority, the prepayment of the mortgage loan entered into on July 24, 2001 by the Silverstein net lessees with GMAC Commercial Mortgage Corporation in the amount of approximately $562 million, and the purchase by the Port Authority on December 23, 2003 of the retail net lessee from Westfield for $140 million. The Port Authority now owns 100% of the membership interest in and is the sole managing member of this single purpose entity, which is now known as "WTC Retail LLC".

Future minimum rentals (see Note G) include rentals of approximately $97.3 billion attributable to the World Trade Center net leases described above. The inclusion of this amount in future rentals is predicated upon the assumption that the net lessees of various components of the World Trade Center will continue to meet their contractual commitments pertaining to their net leased properties, including those with respect to the payment of rent and the restoration of their net leased properties. The net lessees' ability to meet these contractual commitments may be affected by the outcome of certain pending and future litigation involving insurance and other matters, the nature of the downtown Manhattan real estate market, and coordination among various public and private sector entities involved in the redevelopment of downtown Manhattan.

Accounting

In 2001, the Port Authority reclassified and recognized as an operating expense the $1.1 billion net book value of various assets consisting primarily of buildings, infrastructure and certain ancillary equipment that together comprised the components of the World Trade Center complex destroyed as a result of the September 11, 2001 terrorist attacks. A receivable in an amount equal to such net book value was recorded in 2001. As of December 31, 2003, the remaining balance of $874 million of the receivable recognized in 2001 represents amounts at least equal to the presently expected value of the properties to be constructed by the net lessees at the World Trade Center site.

As of December 31, 2003, recoverable amounts of approximately $1.37 billion comprising $953 million in proceeds from the Port Authority's insurance policies and $413 million from the Federal Emergency Management Agency (FEMA) have been recognized by the Port Authority. Of this amount, $869 million has been recognized as income net of $429 million of expenses related to the events of September 11, 2001, primarily the cost of office space necessary to replace the Port Authority's offices that were located at the World Trade Center, and the balance of approximately $68 million has been applied to a portion of the outstanding receivable representing the net book value of the properties destroyed. The Port Authority received the maximum amount allocated by FEMA for reimbursement of the Port Authority's costs related to the events of September 11, 2001.

Schedule A — Revenues and Reserves

(Pursuant to Port Authority bond resolutions)

	Year ended December 31, 2003			2002
	Operating Fund	Reserve Funds	Combined Total	Combined Total
		(In thousands)		
GROSS OPERATING REVENUES:				
Rentals	$ 858,414	$ —	**$ 858,414**	$ 832,527
Tolls and fares	758,326	—	**758,326**	774,337
Aviation fees	705,302	—	**705,302**	672,175
Parking and other	234,261	—	**234,261**	197,912
Utilities	112,555	—	**112,555**	97,184
Rentals — Special Project Bond projects	95,193	—	**95,193**	96,448
Total gross operating revenues	2,764,051	—	**2,764,051**	2,670,583
OPERATING EXPENSES:				
Employee compensation, including benefits	769,711	—	**769,711**	777,146
Contract services	543,926	—	**543,926**	622,781
Rents and amounts in-lieu-of taxes	237,276	—	**237,276**	140,614
Materials, equipment and other	150,700	—	**150,700**	135,321
Utilities	122,445	—	**122,445**	113,880
Interest on Special Project Bonds	95,193	—	**95,193**	96,448
Total operating expenses	1,919,251	—	**1,919,251**	1,886,190
Amounts in connection with operating asset obligations	(35,113)	—	**(35,113)**	(35,960)
Net recoverables related to the events of September 11, 2001	664,211	—	**664,211**	474,663
Net operating revenues	1,473,898	—	**1,473,898**	1,223,096
FINANCIAL INCOME:				
Income on investments	33,952	11,975	**45,927**	66,048
Net increase in fair value of investments	11,598	4,240	**15,838**	29,914
Contributions in aid of construction	57,568	—	**57,568**	36,258
Grants	34,501	—	**34,501**	19,892
Regional ferry pass-through grant program payments	(28,237)	—	**(28,237)**	(11,556)
Net revenues available for debt service and reserves	1,583,280	16,215	**1,599,495**	1,363,652
DEBT SERVICE:				
Interest on bonds and other capital asset obligations	291,514	6,860	**298,374**	298,463
Debt maturities and retirements	698,280	—	**698,280**	181,250
Debt retirement acceleration	—	183,120	**183,120**	283,502
Repayment of capital asset obligations	—	6,329	**6,329**	5,863
Total debt service	989,794	196,309	**1,186,103**	769,078
Transfers to reserves	$ (593,486)	593,486	—	—
Revenues after debt service and transfers to reserves		413,392	**413,392**	594,574
Direct investment in facilities		(542,260)	**(542,260)**	(433,747)
Appropriations for self-insurance		(15,201)	**(15,201)**	(19,017)
(Decrease) increase in reserves		(144,069)	**(144,069)**	141,810
Reserve balances, January 1		1,717,115	**1,717,115**	1,575,305
Reserve balances, December 31		$1,573,046	**$1,573,046**	$1,717,115

See Notes to Consolidated Financial Statements.

Schedule B — Assets and Liabilities

(Pursuant to Port Authority bond resolutions)

	December 31, 2003				2002
	Operating Fund	Capital Fund	Reserve Funds	Combined Total	Combined Total
			(In thousands)		
ASSETS					
Current assets:					
Cash	$ 28,398	$ —	$ 1,000	**$ 29,398**	$ 40,563
Investments	998,458	329,303	829,110	**2,156,871**	1,663,474
Current receivables, net	282,111	2	—	**282,113**	275,294
Other current assets	41,477	23,283	—	**64,760**	51,144
Restricted receivables in connection with PFC projects	15,153	—	—	**15,153**	16,505
Total current assets	1,365,597	352,588	830,110	**2,548,295**	2,046,980
Noncurrent assets:					
Restricted cash	10,295	—	—	**10,295**	9,362
Investments	172,515	154,343	742,936	**1,069,794**	1,329,837
Other amounts receivable, net	36,829	999,644	—	**1,036,473**	1,274,239
Deferred charges and other noncurrent assets	952,491	16,166	—	**968,657**	371,314
Amounts receivable — Special Project Bond projects	—	1,404,074	—	**1,404,074**	1,425,270
Invested in facilities	—	19,866,282	—	**19,866,282**	17,947,787
Total noncurrent assets	1,172,130	22,440,509	742,936	**24,355,575**	22,357,809
Total assets	2,537,727	22,793,097	1,573,046	**26,903,870**	24,404,789
LIABILITIES					
Current liabilities:					
Accounts payable	196,526	329,303	—	**525,829**	565,695
Accrued interest and other current liabilities	1,056,855	20,370	—	**1,077,225**	430,975
Accrued payroll and other employee benefits	99,942	—	—	**99,942**	105,162
Deferred income in connection with PFCs	15,153	—	—	**15,153**	16,505
Current portion bonds and other asset financing obligations	51,111	830,110	—	**881,221**	615,291
Total current liabilities	1,419,587	1,179,783	—	**2,599,370**	1,733,628
Noncurrent liabilities:					
Accrued pension and other noncurrent employee benefits	533,524	—	—	**533,524**	465,547
Other noncurrent liabilities	81,236	3,007	—	**84,243**	81,630
Amounts payable — Special Project Bonds	—	1,420,240	—	**1,420,240**	1,442,450
Bonds and other asset financing obligations	434,019	7,176,876	—	**7,610,895**	7,437,524
Total noncurrent liabilities	1,048,779	8,600,123	—	**9,648,902**	9,427,151
Total liabilities	2,468,366	9,779,906	—	**12,248,272**	11,160,779
NET ASSETS	$ 69,361	$13,013,191	$1,573,046	**$14,655,598**	$13,244,010
Net assets are composed of:					
Facility infrastructure investment	$ —	$13,013,191	$ —	**$13,013,191**	$11,472,735
Reserves	—	—	1,573,046	**1,573,046**	1,717,115
Appropriated reserves for self-insurance	69,361	—	—	**69,361**	54,160
Net assets	$ 69,361	$13,013,191	$1,573,046	**$14,655,598**	$13,244,010

See Notes to Consolidated Financial Statements.

Schedule C — Analysis of Reserve Funds

(Pursuant to Port Authority bond resolutions)

	Year ended December 31, 2003			2002
	General Reserve Fund	**Consolidated Bond Reserve Fund**	**Combined Total**	Combined Total
		(In thousands)		
Balance, January 1	$907,075	$ 810,040	**$1,717,115**	$1,575,305
Income on investments	8,769	3,206	**11,975**	22,976
Net increase in fair value of investments	2,491	1,749	**4,240**	8,660
Transfer from operating fund	30,567	562,919	**593,486**	868,131
	948,902	1,377,914	**2,326,816**	2,475,072
APPLICATIONS:				
Repayment of capital asset obligations	—	6,329	**6,329**	5,863
Interest on capital asset obligations	—	6,860	**6,860**	15,828
Debt retirement acceleration	—	183,120	**183,120**	283,502
Direct investment in facilities	—	542,260	**542,260**	433,747
Self-insurance	—	15,201	**15,201**	19,017
Total applications	—	753,770	**753,770**	757,957
Balance, December 31	$948,902	$ 624,144	**$1,573,046**	$1,717,115

See Notes to Consolidated Financial Statements.

	2003	2002	2001	2000	1999	1998	1997	1996	1995	1994
					(In thousands)					
REVENUES AND EXPENSES										
Gross operating revenues: (a)	$ —	$ —	$ —	$ —	$ —	$ —	$2,205,647	$2,154,120	$2,082,624	$1,979,674
Rentals	858,414	832,527	976,054	1,218,093	1,119,719	1,335,837	—	—	—	—
Tolls and fares	758,326	774,337	750,782	616,722	595,691	585,264	—	—	—	—
Aviation fees	705,302	672,175	560,951	382,604	363,015	62,995	—	—	—	—
Parking and other fees	234,261	197,912	202,864	219,985	247,695	226,832	—	—	—	—
Utilities	112,555	97,184	126,956	113,054	123,356	52,109	—	—	—	—
Rentals associated with Special Project Bonds	95,193	96,448	97,195	97,870	98,036	98,165	—	—	—	—
Gross operating revenues	2,764,051	2,670,583	2,714,802	2,648,328	2,547,512	2,361,202	2,205,647	2,154,120	2,082,624	1,979,674
Operating expenses: (a)	$ —	$ —	$ —	$ —	$ —	$ —	$1,461,264	$1,469,309	$1,469,881	$1,407,938
Employee compensation, including benefits	769,711	777,146	654,074	648,171	630,752	616,405	—	—	—	—
Contract services	543,926	622,781	600,686	619,462	560,425	505,775	—	—	—	—
Rents and amounts in-lieu-of taxes	237,276	140,614	96,401	131,431	133,556	50,764	—	—	—	—
Materials, equipment and other	150,700	135,321	157,004	133,166	122,778	167,355	—	—	—	—
Utilities	122,445	113,880	140,436	142,261	131,717	130,794	—	—	—	—
Interest on Special Project Bonds	95,193	96,448	97,195	97,870	98,036	98,165	—	—	—	—
Operating expenses	1,919,251	1,886,190	1,745,796	1,772,361	1,677,264	1,569,258	1,461,264	1,469,309	1,469,881	1,407,938
Net recoverables (expenses) related to the events of September 11, 2001	664,211	474,663	(270,334)	—	—	—	—	—	—	—
Amounts in connection with operating asset obligations	(35,113)	(35,960)	(36,696)	(37,188)	(35,957)	(35,605)	(34,675)	(33,126)	(32,254)	(32,103)
Net operating revenues	1,473,898	1,223,096	661,976	838,779	834,291	756,339	709,708	651,685	580,489	539,633
Financial income	61,765	95,962	143,381	162,811	104,657	118,362	103,873	98,707	70,830	73,723
Grants and contributions in aid of construction, net	63,832	44,594	40,070	—	—	—	—	—	—	—
Gain on purchase of Port Authority bonds	—	—	—	—	—	—	11	—	439	4,797
Net amounts associated with the 1993 WTC bombing	—	—	—	—	—	—	29,450	—	—	—
Net revenues available for debt service and reserves	1,599,495	1,363,652	845,427	1,001,590	938,948	874,701	843,042	750,392	651,758	618,153
DEBT SERVICE — OPERATIONS										
Interest on bonds and other capital asset obligations	(291,514)	(282,635)	(266,944)	(318,912)	(323,954)	(310,107)	(291,765)	(292,987)	(266,903)	(259,400)
Times, interest earned (b)	5.49	4.82	3.17	3.14	2.90	2.82	2.89	2.56	2.44	2.38
Debt maturities and retirements (c)	(698,280)	(181,250)	(171,340)	(158,435)	(138,225)	(123,395)	(105,450)	(87,443)	(86,865)	(75,745)
Times, debt service earned (b)	1.62	2.94	1.93	2.10	2.03	2.02	2.12	1.97	1.84	1.84
DEBT SERVICE — RESERVES										
Direct investment in facilities	(542,260)	(433,747)	(462,129)	(404,388)	(233,260)	(242,311)	(246,232)	(162,471)	(268,711)	(224,622)
Debt retirement acceleration	(183,120)	(283,502)	(25,000)	(60,000)	—	—	—	(100,000)	(112,680)	(27,062)
Application from PFC program	—	—	—	—	—	—	—	—	105,000	—
Appropriations for self-insurance	(15,201)	(19,017)	14,270	(5,101)	(4,247)	(3,785)	(3,749)	5,057	(3,444)	710
Interest on capital asset obligations	(6,860)	(15,828)	(27,964)	—	—	—	—	—	—	—
Repayment of capital asset obligations	(6,329)	(5,863)	(6,390)	(10)	(172)	(757)	(395)	(780)	(878)	(343)
Net (decrease) increase in reserves	(144,069)	141,810	(100,070)	54,744	239,090	194,346	195,451	111,768	17,277	31,691
RESERVE BALANCES										
January 1	1,717,115	1,575,305	1,675,375	1,620,631	1,381,541	1,187,195	991,744	879,976	862,699	831,008
December 31	$1,573,046	$1,717,115	$1,575,305	$1,675,375	$1,620,631	$1,381,541	$1,187,195	$ 991,744	$ 879,976	$ 862,699
Reserve fund balances represented by:										
General Reserve	948,902	907,075	880,041	848,095	839,671	823,581	754,619	618,960	605,167	579,329
Consolidated Bond Reserve	624,144	810,040	695,264	827,280	780,960	557,960	432,576	372,784	274,809	283,370
Total	$1,573,046	$1,717,115	$1,575,305	$1,675,375	$1,620,631	$1,381,541	$1,187,195	$ 991,744	$ 879,976	$ 862,699

(a) Data not available for categorizing operating revenues and expenses for the years prior to 1998.

(b) Debt service ratios excluding net recoverables (expenses) related to the events of September 11, 2001 and net amounts associated with the 1993 WTC bombing are as follows:

	2003	2002	2001	2000	1999	1998	1997	1996	1995	1994
Times interest earned	3.21	3.15	4.18	—	—	—	2.79	—	—	—
Times debt service earned	0.94	1.92	2.55	—	—	—	2.05	—	—	—

(c) Amounts for 2003 include $500 million due to the maturity of Consolidated Notes issued during 2003 to pay for capital construction in anticipation of the receipt of proceeds from insurers and FEMA in connection with the events of September 11th. During 2003, such receipts totaled $684 million.

NOTE: This selected financial data is prepared primarily 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.

See Notes to Consolidated Financial Statements.

	2003	2002	2001	2000	1999	1998	1997	1996	1995	1994
					(In thousands)					
OBLIGATIONS AT DECEMBER 31										
Consolidated Bonds and Notes	**$ 7,053,296**	$ 6,630,205	$ 6,092,735	$ 5,889,613	$ 5,916,804	$ 5,747,387	$ 5,077,133	$ 4,723,335	$ 4,795,207	$ 4,650,350
Fund buy-out obligation	**423,330**	424,513	425,606	419,696	414,246	409,219	404,582	400,305	396,360	392,722
Amounts payable—										
Special Project Bonds	**1,420,240**	1,442,450	1,457,705	1,468,965	1,477,275	1,479,975	1,482,675	548,575	472,675	473,575
Variable rate master notes	**149,990**	149,990	214,990	214,990	215,990	215,990	202,900	233,000	308,000	283,000
Commercial paper notes	**249,200**	180,408	356,880	251,885	123,595	124,910	124,445	163,850	176,955	187,106
Versatile structure obligations	**554,500**	560,600	566,000	571,300	575,900	580,400	584,200	484,700	285,200	185,700
Operating equipment—lease										
financing obligations	**—**	—	—	—	—	—	—	—	—	13,563
Port Authority equipment notes	**61,800**	107,100	112,100	84,200	87,150	87,150	74,838	36,138	13,638	—
Total obligations	**$ 9,912,356**	$ 9,495,266	$ 9,226,016	$ 8,900,649	$ 8,810,960	$ 8,645,031	$ 7,950,773	$ 6,589,903	$ 6,448,035	$ 6,186,016
INVESTED IN FACILITIES AT DECEMBER 31	**$19,866,282**	$17,947,787	$16,425,060	$16,113,699	$14,910,982	$13,927,378	$13,069,084	$12,370,806	$11,752,783	$11,118,503
DEBT RETIRED THROUGH INCOME:										
Annual	**$ 887,729**	$ 470,615	$ 202,730	$ 218,445	$ 138,396	$ 124,153	$ 105,845	$ 188,223	$ 95,423	$ 103,150
Cumulative	**$ 5,522,621**	$ 4,634,892	$ 4,164,277	$ 3,961,547	$ 3,743,102	$ 3,604,706	$ 3,480,553	$ 3,374,708	$ 3,186,485	$ 3,091,062

NOTE: This selected financial data is prepared primarily 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.

See Notes to Consolidated Financial Statements.

	Year ended December 31, 2003							2002
	Gross Operating Revenues	**Operating Expenses(a)**	**Depreciation & Amortization**	**Income (Loss) from Operations**	**Interest & Other Expenses(b)**	**PFC Revenues & Grants**	**Net Income (Loss)**	Net Income (Loss)
	(In thousands)							
INTERSTATE TRANSPORTATION NETWORK								
G.W. Bridge & Bus Station	$ 320,337	$ 104,402	$ 28,614	$ 187,321	$ 18,286	$ 743	**$ 169,778**	$ 184,814
Holland Tunnel	86,049	68,361	9,466	8,222	7,318	62	**966**	(6,111)
Lincoln Tunnel	109,761	83,850	19,285	6,626	13,264	84	**(6,554)**	(5,625)
Bayonne Bridge	20,000	16,377	4,360	(737)	3,668	12	**(4,393)**	(4,179)
Goethals Bridge	84,488	22,408	6,217	55,863	2,468	11	**53,406**	60,039
Outerbridge Crossing	78,708	21,322	11,194	46,192	4,118	11	**42,085**	39,220
P.A. Bus Terminal	26,823	80,808	12,073	(66,058)	8,433	6	**(74,485)**	(83,183)
Subtotal — Tunnels, Bridges & Terminals	726,166	397,528	91,209	237,429	57,555	929	**180,803**	184,975
PATH	68,336	200,921	49,804	(182,389)	31,875	8,538	**(205,726)**	(199,482)
Journal Square Transportation Center	1,539	5,857	4,917	(9,235)	2,590	—	**(11,825)**	(11,279)
Subtotal — PATH	69,875	206,778	54,721	(191,624)	34,465	8,538	**(217,551)**	(210,761)
Ferry Service	63	2,626	158	(2,721)	280	—	**(3,001)**	(4,542)
Total Interstate Transportation Network	796,104	606,932	146,088	43,084	92,300	9,467	**(39,749)**	(30,328)
AIR TERMINALS								
LaGuardia	270,866	211,036	42,148	17,682	14,973	9,472	**12,181**	22,739
JFK International	722,261	520,039	108,356	93,866	40,260	14,107	**67,713**	130,224
Newark Liberty International	599,941	358,318	97,041	144,582	61,276	26,219	**109,525**	58,849
Teterboro	22,686	9,896	1,515	11,275	648	2,503	**13,130**	11,508
Heliport	767	2,179	701	(2,113)	108	—	**(2,221)**	(2,615)
Total Air Terminals	1,616,521	1,101,468	249,761	265,292	117,265	52,301	**200,328**	220,705
PORT COMMERCE								
Port Newark	56,992	45,167	13,910	(2,085)	7,731	12	**(9,804)**	(17,261)
Elizabeth Marine Terminal	51,496	20,490	18,562	12,444	10,977	1,952	**3,419**	7,579
Brooklyn	4,133	14,969	20,707	(31,543)	5,775	9	**(37,309)**	(15,748)
Red Hook	3,383	6,058	2,990	(5,665)	—	—	**(5,665)**	(9,153)
Howland Hook	4,187	7,922	3,461	(7,196)	2,837	5	**(10,028)**	(7,560)
Greenville Yard	295	3	1	291	—	—	**291**	272
Auto Marine	7,610	1,647	2,245	3,718	1,796	—	**1,922**	2,344
Total Port Commerce	128,096	96,256	61,876	(30,036)	29,116	1,978	**(57,174)**	(39,527)
ECONOMIC & WATERFRONT DEVELOPMENT								
Essex County Resource Recovery	58,958	64,491	1,420	(6,953)	(3,617)	—	**(3,336)**	(5,779)
Industrial Park at Elizabeth	830	89	208	533	346	—	**187**	3,586
Bathgate	3,799	1,768	1,589	442	718	—	**(276)**	(1,372)
Teleport	20,730	11,595	2,373	6,762	1,121	86	**5,727**	(898)
Newark Legal & Communications Center	3,363	1,390	3,781	(1,808)	1,917	—	**(3,725)**	(4,522)
Queens West	4,605	—	887	3,718	1,009	—	**2,709**	(1,756)
Hoboken South	5,166	8	1,468	3,690	2,575	—	**1,115**	2,694
Total Economic & Waterfront Development	97,451	79,341	11,726	6,384	4,069	86	**2,401**	(8,047)
WORLD TRADE CENTER								
World Trade Center	124,906	3,660	—	121,246	(13,712)	—	**134,958**	147,028
WTC Site	433	22,534	800	(22,901)	—	—	**(22,901)**	(9,245)
WTC Retail LLC	540	2	36	502	—	—	**502**	—
Total World Trade Center	125,879	26,196	836	98,847	(13,712)	—	**112,559**	137,783
Regional Programs	—	9,058	32,112	(41,170)	48,786	—	**(89,956)**	(102,400)
Net recoverables related to the events of September 11, 2001	—	—	—	664,211	—	—	**664,211**	474,663
Total Port Authority Operations	2,764,051	1,919,251	502,399	1,006,612	277,824	63,832	**792,620**	652,849
PFC Program	—	—	18,699	(18,699)	(4)	109,111	**90,416**	87,113
Combined Total	$2,764,051	$1,919,251	$521,098	$ 987,913	$277,820	$ 172,943	**$ 883,036**	$ 739,962

(a) Amounts include all direct operating expenses and allocated expenses.

(b) Amounts include net interest (interest expense less financial income) expense and gain or loss generated by the disposition of assets, if any.

See Notes to Consolidated Financial Statements.

	Facilities, net Dec. 31, 2002	Net Capital Expenditures	Depreciation	Facilities, net Dec. 31, 2003
		(In thousands)		
INTERSTATE TRANSPORTATION NETWORK				
G.W. Bridge & Bus Station	$ 612,471	$ 57,682	$ 28,614	$ 641,539
Holland Tunnel	243,233	47,375	9,466	281,142
Lincoln Tunnel	429,334	55,160	19,285	465,209
Bayonne Bridge	117,618	18,127	4,360	131,385
Goethals Bridge	95,413	26,261	6,217	115,457
Outerbridge Crossing	126,212	7,470	11,194	122,488
P.A. Bus Terminal	297,544	27,060	12,073	312,531
Subtotal — Tunnels, Bridges & Terminals	1,921,825	239,135	91,209	2,069,751
PATH	913,944	100,942	43,491	971,395
Downtown Restoration Program	156,655	394,571	6,313	544,913
Permanent WTC PATH Terminal	—	10,634	—	10,634
Journal Square Transportation Center	81,478	3,817	4,917	80,378
Subtotal — PATH	1,152,077	509,964	54,721	1,607,320
Ferry Service	12,603	2,410	158	14,855
Total Interstate Transportation Network	3,086,505	751,509	146,088	3,691,926
AIR TERMINALS				
LaGuardia	466,607	58,991	42,148	483,450
JFK International	1,918,737	183,955	108,356	1,994,336
Newark Liberty International	1,962,056	197,870	97,041	2,062,885
Teterboro	43,049	9,413	1,515	50,947
Heliport	3,383	—	701	2,682
PFC Program	1,098,996	110,466	18,699	1,190,763
Total Air Terminals	5,492,828	560,695	268,460	5,785,063
PORT COMMERCE				
Port Newark	269,227	64,065	13,910	319,382
Elizabeth Marine Terminal	456,943	150,876	18,562	589,257
Brooklyn	118,533	11,562	20,707	109,388
Red Hook	56,803	13,254	2,990	67,067
Howland Hook	134,494	58,371	3,461	189,404
Auto Marine & Greenville Yards	51,036	34	2,246	48,824
Total Port Commerce	1,087,036	298,162	61,876	1,323,322
ECONOMIC & WATERFRONT DEVELOPMENT				
Essex County Resource Recovery	23,926	79	1,420	22,585
Industrial Park at Elizabeth	9,252	—	208	9,044
Bathgate	21,204	(5)	1,589	19,610
Teleport	34,288	481	2,373	32,396
Newark Legal & Communications Center	55,391	—	3,781	51,610
Queens West	92,631	7,631	887	99,375
Hoboken South	77,723	1,468	1,468	77,723
Total Economic & Waterfront Development	314,415	9,654	11,726	312,343
WORLD TRADE CENTER				
World Trade Center	80,161	—	—	80,161
WTC Site	16,135	55,582	800	70,917
WTC Retail LLC	—	140,000	36	139,964
Total World Trade Center	96,296	195,582	836	291,042
FACILITIES, NET	$10,077,080	$1,815,602	$488,986	$11,403,696
REGIONAL PROGRAMS	$ 386,110	$ 100,166	$ 32,112	$ 454,164

See Notes to Consolidated Financial Statements.

Facility Traffic*

TUNNELS AND BRIDGES (Eastbound Traffic)	2003	2002
All Crossings		
Automobiles	**112,869,000**	114,005,000
Buses	**3,041,000**	3,121,000
Trucks	**7,910,000**	8,118,000
Total vehicles	**123,820,000**	125,244,000
George Washington Bridge		
Automobiles	**48,354,000**	49,921,000
Buses	**594,000**	598,000
Trucks	**4,023,000**	4,155,000
Total vehicles	**52,971,000**	54,674,000
Lincoln Tunnel		
Automobiles	**18,120,000**	17,750,000
Buses	**1,973,000**	2,042,000
Trucks	**985,000**	1,139,000
Total vehicles	**21,078,000**	20,931,000
Holland Tunnel		
Automobiles	**15,790,000**	15,227,000
Buses	**232,000**	213,000
Trucks	**544,000**	324,000
Total vehicles	**16,566,000**	15,764,000
Staten Island Bridges		
Automobiles	**30,605,000**	31,107,000
Buses	**242,000**	268,000
Trucks	**2,358,000**	2,500,000
Total vehicles	**33,205,000**	33,875,000
Cumulative PA Investment in Tunnels and Bridges (In thousands)	**$ 2,633,246**	$ 2,424,316

PATH	2003	2002
Total passengers	**47,890,000**	51,920,000
Passenger weekday average	**160,000**	174,000
Cumulative PA Investment in PATH (In thousands)	**$ 2,170,285**	$ 1,663,593

MARINE TERMINALS	2003	2002
All Terminals		
Containers	**2,231,931**	2,143,827
General cargo(a) (Metric tons)	**23,539,000**	21,633,000
New Jersey Marine Terminals		
Containers	**1,903,367**	1,802,809
New York Marine Terminals		
Containers	**328,564**	341,018
Cumulative PA Investment in Marine Terminals (In thousands)	**$ 2,078,759**	$ 1,845,964

AIR TERMINALS	2003	2002
Totals at the Three Major Airports		
Plane movements	**1,061,000**	1,055,900
Passenger traffic	**83,646,500**	81,146,700
Cargo-tons	**2,612,200**	2,582,600
Revenue mail-tons	**176,775**	147,108
John F. Kennedy International Airport		
Plane movements	**280,300**	287,700
Passenger traffic		
Domestic	**16,434,700**	14,602,900
International	**15,300,200**	15,336,300
Cargo-tons	**1,709,200**	1,664,700
LaGuardia Airport		
Plane movements	**375,000**	362,400
Passenger traffic		
Domestic	**21,435,200**	20,869,600
International	**1,047,500**	1,117,100
Cargo-tons	**12,300**	11,700
Newark Liberty International Airport		
Plane movements	**405,700**	405,800
Passenger traffic		
Domestic	**21,760,300**	21,847,800
International	**7,668,600**	7,373,000
Cargo-tons	**890,700**	906,200
Cumulative PA Investment in Air Terminals (In thousands)	**$ 9,454,165**	$ 8,891,298

TERMINALS	2003	2002
All Bus Facilities		
Passengers	**69,036,000**	69,235,600
Bus movements	**3,462,000**	3,560,550
Port Authority Bus Terminal		
Passengers	**56,300,000**	56,576,600
Bus movements	**2,165,000**	2,263,000
George Washington Bridge Bus Station		
Passengers	**4,900,000**	5,059,000
Bus movements	**235,000**	244,550
PATH Journal Square Transportation Center Bus Station		
Passengers	**7,836,000**	7,600,000
Bus movements	**1,062,000**	1,053,000
Cumulative PA Investment in Bus Facilities (In thousands)	**$ 698,449**	$ 633,961

	2003	2002
Total Port Authority Cumulative Invested in facilities, including the above (In thousands)	**$19,866,282**	$17,947,787

(a) International oceanborne general cargo as recorded in the New York-New Jersey Customs District.

* Some 2002 numbers reflect revised data.

Santiago Calatrava's proposed design for the future World Trade Center Transportation Hub

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Building on our vision for the future

2003 Annual Report

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