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DELAWARE RIVER PORT AUTHORITY

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THE FIRST 20 YEARS

- *PATCO opened for service between southern New Jersey and Philadelphia in February 1969. Since then it has provided transportation services to more than 220 million riders and significantly reduced the region's traffic congestion, parking problems and air pollution levels.*
- *PATCO is widely hailed as one of the most pleasant and efficient mass transit lines in the world.*
- *PATCO trains operate seven days per week, 24 hours per day. Trains run every four minutes during rush hours and computerized, flexible scheduling allows trains to run at optimum efficiency.*
- *PATCO provides transportation services to almost 41,000 riders every weekday. More than 12,000 vehicles each day make use of PATCO parking lots.*
- *PATCO transit cars run more than 4 million miles per year. Average weekday service includes more than 261 train trips. More than 99 percent of those arrive at their destinations "on time."*
- *PATCO throughout its first 20 years recovered 85 percent of its operating and maintenance budget from fares. This is twice the national average.*
- *PATCO is quick and easy to use. Conveniently located stations and automated fare equipment make PATCO the region's most popular mass transit alternative.*
- *PATCO is less expensive to ride than other regional mass transit systems. The average fare of \$1.37 has not increased in more than seven years.*

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Bridge Traffic Totals
(Millions of Vehicles)

85	77.7
86	80.7
87	84.4
88	87.1
89	89.8

**International Waterborne Commerce
Total Cargo**
(Millions of Short Tons)

85	63.1
86	68.6
87	68.5
88	71.8
89	71.7

**International Waterborne Commerce
General Cargo**
(Millions of Short Tons)

85	5.3
86	5.8
87	6.3
88	7.3
89	6.9

Patco Passenger Totals
(Millions of Passengers)

85	10.2
86	10.4
87	10.8
88	11.1
90	11.0

Cover: Ships at Penn's Landing in Philadelphia with Benjamin Franklin Bridge and PATCO High Speed Line in background.

To: The Honorable

Robert P. Casey

Governor of

*The Commonwealth
of Pennsylvania and*

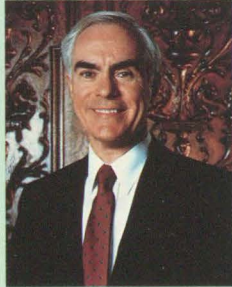
The Honorable

James J. Florio

Governor of the

State of New Jersey

GOVERNOR CASEY



GOVERNOR FLORIO



THE REV. NICHOLAS S. RASHFORD

Chairman

WILLIAM K. DICKEY

Vice Chairman

I am pleased to report that the Delaware River Port Authority during 1989 completed several tasks aimed at unifying and enhancing the maritime facilities along the Delaware River. ■ A complete analysis of DRPA's long-range plans has been prepared and submitted for your review. It includes plans to protect our

VALUABLE RIVER CHANNEL,

fund improvements to existing port facilities, develop a state-of-the-art containerized cargo center and to anchor our rejuvenated port district with an active and impressive international trade center. ■ These projects, as outlined by the governors of our parent states, will improve the competitive posture of *the ports and add to the economic stature of the entire region.* ■ To assist in reaching these goals, the commissioners in 1989 appointed a new executive director and board secretary. We created a new division to focus on long-range planning and the authority's overall computer needs. In the field of world trade, the commissioners expanded DRPA's marketing

efforts in the Far East and South America and began *cultivating commercial ties with the Soviet Union.* ■ In the field of transportation, the authority met the needs of more than 100 million patrons on its four bridges and on the PATCO High-Speed Line. ■ This high level of activity is a direct result of the continuing strong support given by you, the governors of our parent states.

You have given this bi-state agency the opportunity to play a **VITAL ROLE** in the regional economy and to help shape a bright future based on vibrant international commerce and regional transportation. ■ These are historic and challenging tasks. We welcome the chance to serve and we thank you for the opportunity to be part of this important effort.

Yours Respectfully,

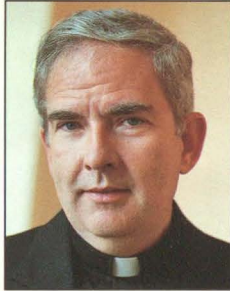


Nicholas S. Rashford, S.J., Chairman

DELAWARE RIVER PORT AUTHORITY

PENNSYLVANIA COMMISSIONERS

Rev. Nicholas S. Rashford, S.J.,
Chairman; President
St. Joseph's University



Honorable Catherine Baker
Knoll, Treasurer,
Commonwealth of
Pennsylvania



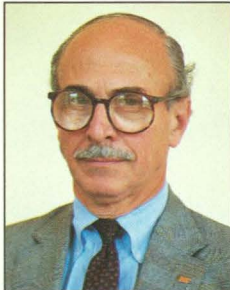
Honorable Lucien E. Blackwell,
Councilman,
City of Philadelphia



G. Edward DeSeve,
Office of the Governor,
Commonwealth of
Pennsylvania



G. Davis Greene Jr.,
Office of the Governor,
Commonwealth of
Pennsylvania



Barbara G. Jones, Esquire,
Director of Legislative Affairs,
City of Philadelphia



Honorable Barbara Hafer,
Auditor General,
Commonwealth of
Pennsylvania



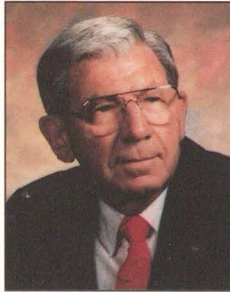
James R. Lloyd,
Special Assistant to Governor,
Commonwealth of
Pennsylvania*



NEW JERSEY COMMISSIONERS

OFFICERS

*William K. Dickey, Esquire,
Vice Chairman;
Counselor at Law*

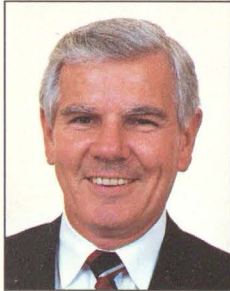


*Harry Benn,
International Ladies
Garment Workers Union***



*Eugene J. McCaffrey Sr.,
Executive Director*

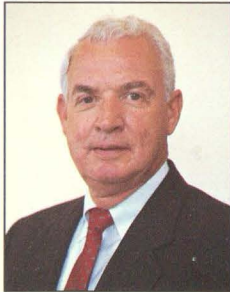
*Francis L. Bodine,
South Jersey Port Corporation*



*John C. Gilmour Jr.,
President, Holly Ravine Farm*



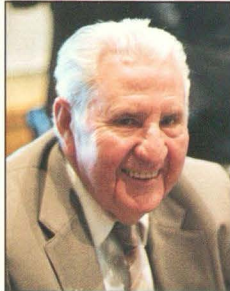
*Albert A. Fralinger Jr.,
Professional Engineer*



*Walter T. Peters Jr.,
Secretary****



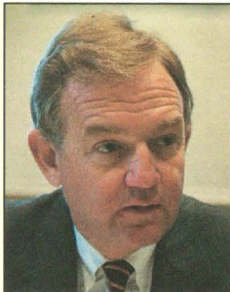
*Walter L. Smith Jr., Esquire,
Smith and Smith*



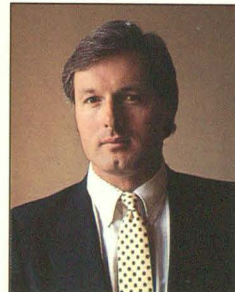
Thomas J. Auchter, Treasurer



*H. Donald Stewart, Owner,
Harry F. Stewart Agency*



*Mary Ruth Talley,
Restoration Consultant*

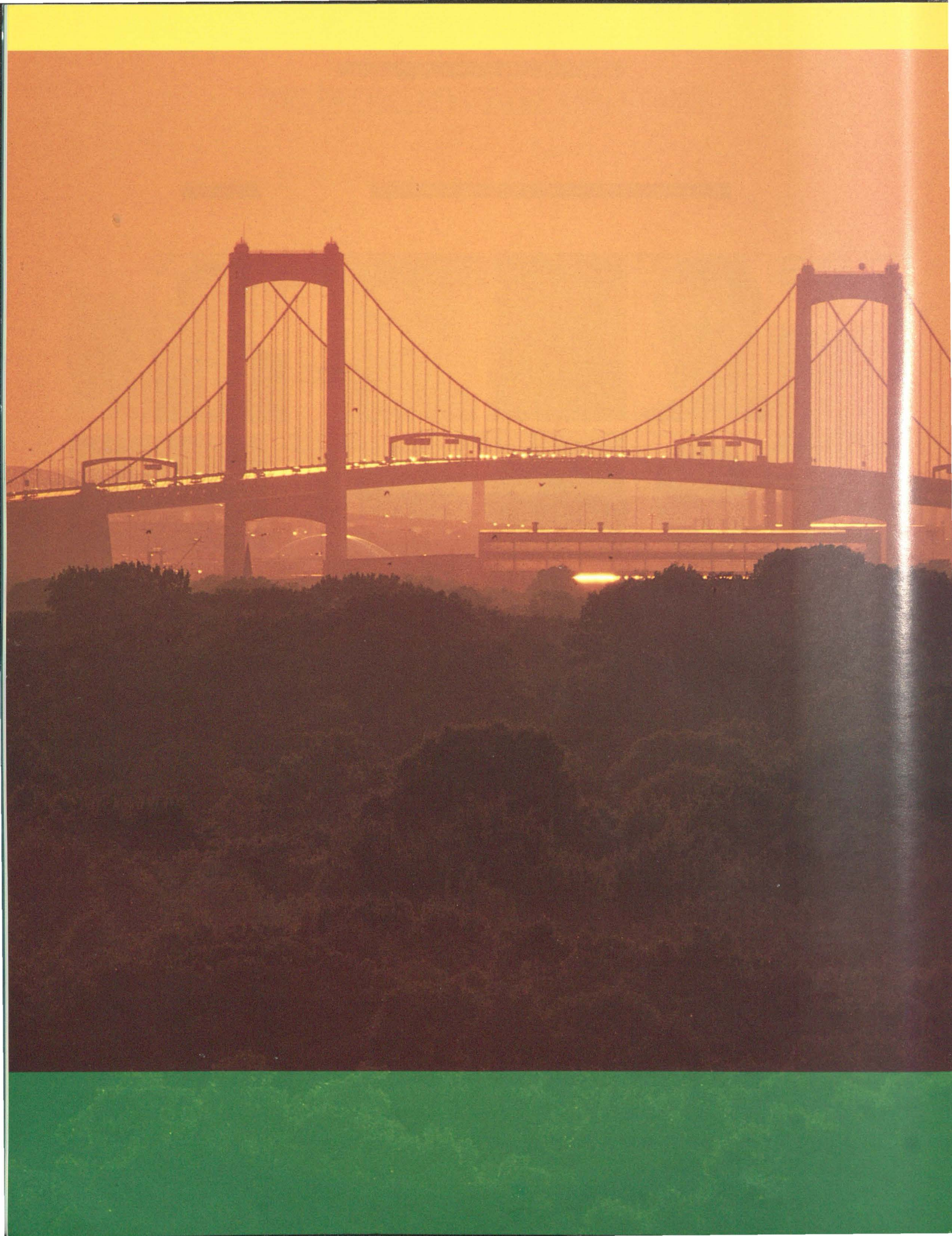


W. Steven Joachim, Secretary

**Deceased*

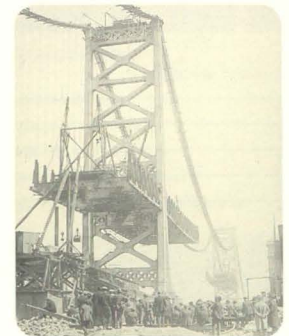
***Retired*

****Mr. Peters replaced Mr. Joachim as Secretary and Mr. Joachim assumed the title of Manager, Management Information Systems and Project Control*



For the 17th consecutive year, traffic increased on the four bridges owned and operated by the Delaware River Port Authority. ■ Traffic flow for 1989 totalled 89,837,898 vehicles. That was an increase of more than 2.6 million vehicles or 3.07 percent as compared to the previous year. ■ The **COMMODORE BARRY BRIDGE** carried 8.8 million vehicles and the Betsy Ross Bridge carried 11.3 million vehicles, *both new yearly records for those spans*. ■ In the case of the Betsy Ross Bridge, traffic has more than doubled since 1984. Last year's 28.5 percent traffic increase on the Betsy Ross is the largest single year percentage gain ever for a DRPA bridge with the exception of first year operations. ■ The Betsy Ross showed it was able to retain a large portion of the patronage it gained as the result of the temporary closing of the nearby Tacony-Palmyra Bridge. The Betsy Ross also benefited from the October 1988 opening of Route 90, which connects Route 73 in Pennsauken, N.J., to the base of the bridge. ■ Traffic on the **WALT WHITMAN BRIDGE** topped the 40 million mark for the third year in a row. During the coming year DRPA expects to welcome the driver of the 1 billionth vehicle to cross the Walt Whitman Bridge since the span opened in 1957. ■ The Walt Whitman's traffic total for the year represents a decrease of less than 1 percent as compared to 1988. This slight traffic loss is attributed to the fact that motorists sought other routes to avoid delays caused by the final stages of reconstruction of the Schuylkill Expressway. ■ Since the completion of the expressway work, however, motorists have returned to the span and the Walt Whitman showed monthly increases over the same period of 1988. ■ Most of the traffic temporarily lost on the Walt Whitman was picked up on the Benjamin Franklin Bridge. ■ The Ben Franklin showed an additional 500,000 vehicles for the year despite construction work on Philadelphia's Vine Street Expressway at the foot of the bridge. ■ Throughout the year motorists continued to show *the popularity of discount commuter toll stickers* and senior citizens tickets. However the sale of car pool tickets continued to decline. ■ Commuters purchased 596,342 stickers which provide a substantial discount when frequently used over the course of a month. That is an increased sale of almost 1,500 stickers each month. ■ Senior citizens purchased 160,898 discount books,

ALEX J. BONAVIDACOLA

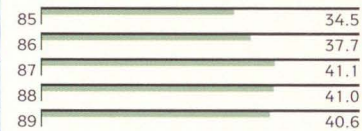
Acting Director of Bridges



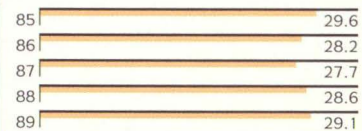
an increase of almost 13,000 over the 1988 total. Car pool discount books, which are used when at least three people are in the vehicle, averaged 212 per month, a decline of 50 per month. ■ One of the major advances achieved by the Bridge Division in 1989 was the installation of a computerized toll collection system at the **BETSY ROSS BRIDGE**.

■ The system, which will eventually be installed on all DRPA bridges, provides toll collection audits and traffic statistics on a daily basis. ■ The system also includes *a closed-circuit television surveillance interface*. This feature enables the Bridge Division to compare each toll recorded by a collector with a video picture of the vehicle as it passes through the collector's lane. If a discrepancy occurs, it is highlighted on the videotape, thus providing an accurate visual record of the transaction. ■ The system has proven helpful in training toll collectors and bridge division personnel to make sure every transaction is accurately handled. ■ DRPA police traveled more than 1.1 million miles while continuously patrolling approximately 30 miles of bridges, roadways and ramps. ■ As part of their duties, the officers provided many services to the motoring public. They pushed or towed 8,430 disabled vehicles at no cost to the vehicle owner. They transported 305 people injured on DRPA property to local hospitals and cooperated with local police forces when requested. ■ The police issued 11,217 citations for moving violations and 10,253 warnings for lesser infractions. The strict enforcement of DRPA traffic regulations helped to *reduce the number of accidents even though the traffic volume increased* significantly. ■ Plans were formulated to clear from DRPA facilities the many vehicles that are abandoned on DRPA property or are left unclaimed after accidents. ■ The severe winter of 1989 caused the highway bureau to be dispatched on 16 occasions, double the number of the previous winter. ■ During the spring, summer and fall months, emphasis was placed on grounds maintenance and the beautification of all bridges. It was highlighted by the painting of the **BEN FRANKLIN BRIDGE** which was substantially completed during 1989. ■ This comprehensive maintenance and beautification program is designed to keep DRPA's roadways, facilities, buildings and vehicles looking professional and in optimal operating condition.

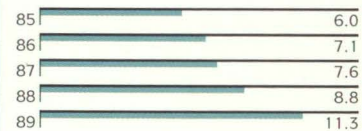
Five Year Bridge Traffic Volume
Walt Whitman Bridge (Millions of Vehicles)



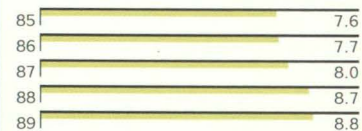
Benjamin Franklin Bridge
 (Millions of Vehicles)



Betsy Ross Bridge
 (Millions of Vehicles)



Commodore Barry Bridge
 (Millions of Vehicles)





The World Trade Division, acting in cooperation with the Ports of Philadelphia maritime community, played a lead role in 1989 in developing an emergency response program to help protect regional cargo flow and disseminate accurate and timely information to shipping interests and the general public. ■ Under DRPA leadership, this first-of-its-kind program immediately gained the support of the Food and Drug Administration, *the U.S. Customs Service*, the U.S. Department of Agriculture, local shippers and terminal operators. Its goal is to give the port community, for the first time, the ability to speak with a single, effective voice on issues that affect the 53,500 jobs and \$4 billion in annual revenue generated by the port and its associated businesses. ■ It was put into place following a product tampering incident in March that briefly interrupted the flow of **CHILEAN FRUIT** through the port. ■ That incident, perhaps more than any other, focused public attention on the importance of the ports to the regional economy and the benefits of cross-river cooperation under the guidance of a single agency. ■ The DRPA chairman, the World Trade Division and the departments of government relations and public information assumed lead roles in managing this incident. Most importantly, DRPA proved it is able to *unite many port interests* to work for a common objective. ■ The ability to react to rapidly changing situations was put to the test again in December when U.S. military action forced the temporary closing of the Panama Canal. ■ DRPA went to work with U.S. elected representatives from the tri-state area and the Philadelphia Port Corporation. Together the group helped secure priority transit for ships loaded with perishable fruit from Chile once the canal was reopened. ■ Those fruit shipments resumed at an even stronger pace than last year, creating thousands of hours of work for port personnel and bringing consumers a bounty of reasonably priced winter fruit. ■

Imports of fruits and vegetables climbed by 9 percent to more than 1.5 million tons. That increase helped boost total shipping activity to slightly with more than 71.7 million tons of cargo handled at port facilities in southeastern Pennsylvania, southern New Jersey and Wilmington, Del. ■ Most heartening was the data showing U.S. exports being shipped through the Ports of Philadelphia increased by 11 percent. Almost every commodity showed



RAYMOND G.

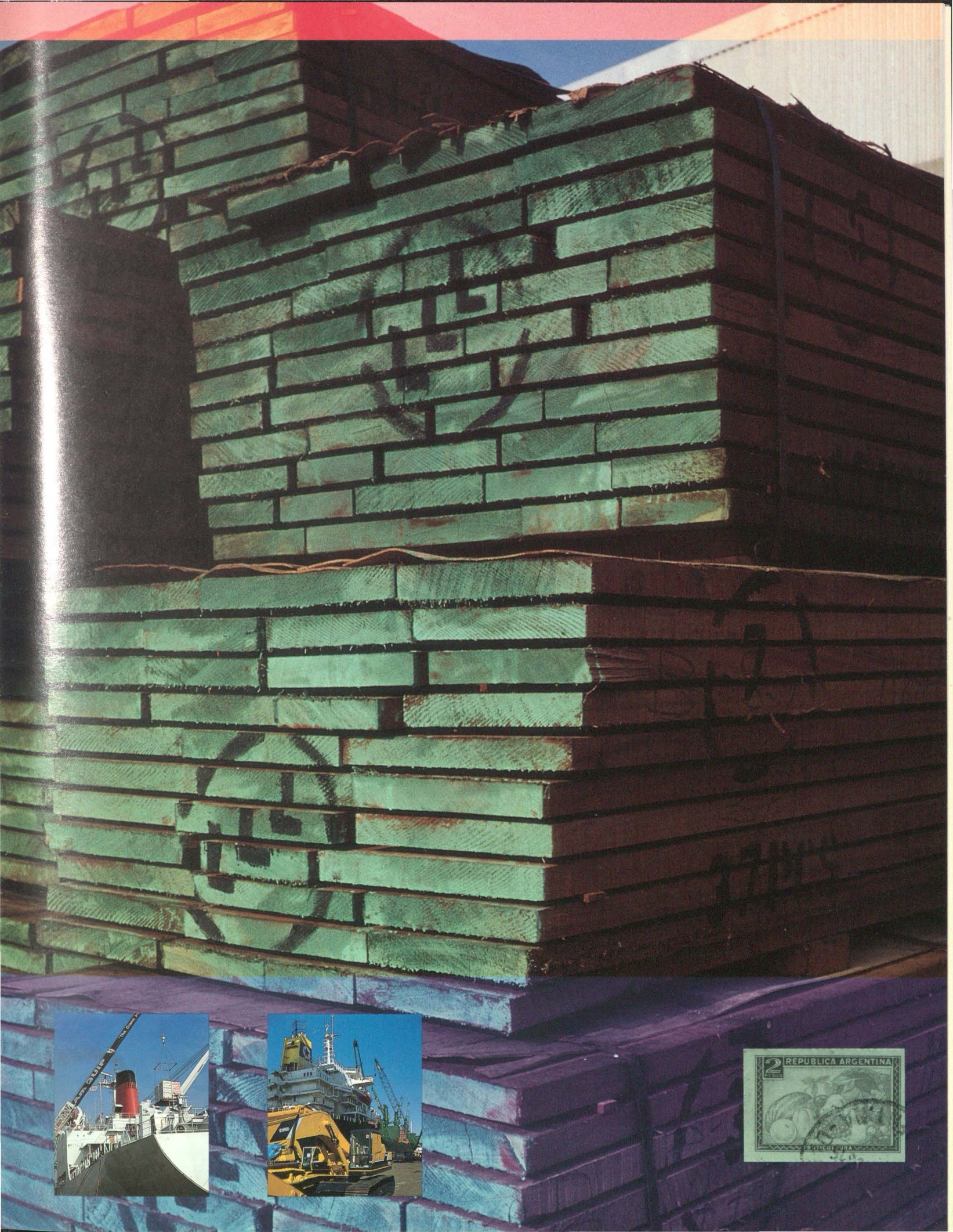
HEINZELMANN, Ph.D.

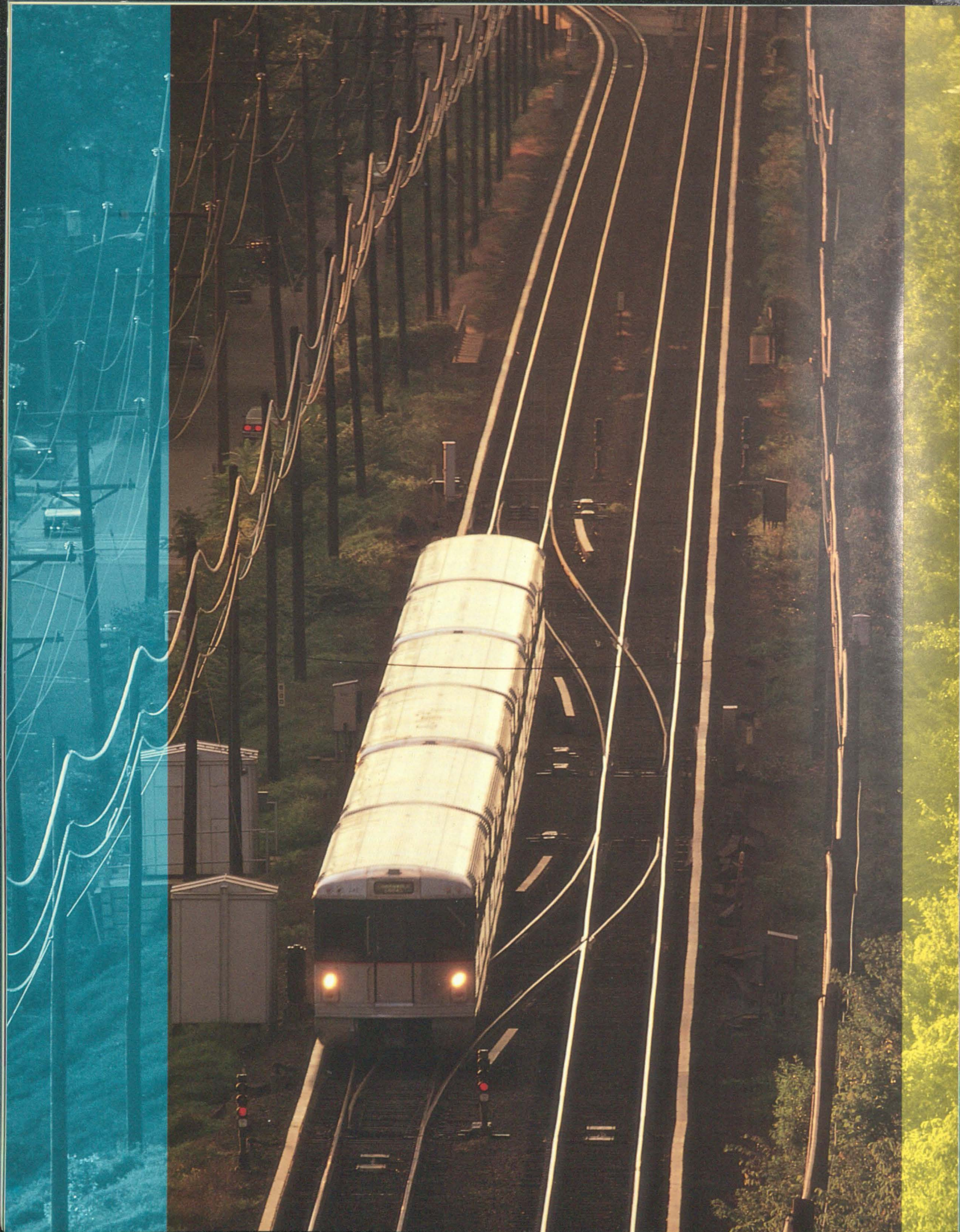
Director of World Trade



EXPORT GAINS and seven commodities more than doubled their 1988 export levels. ■ Building on this success the division, with the support of the commissioners and the port community, took steps to increase cargo from the lucrative markets of the Far East and South America. ■ It helped sponsor a spring concert in Tokyo by the Philadelphia Orchestra. The event gave DRPA personnel a unique chance to interact with some of Japan's most important shipping and trade officials. ■ The division expanded its marketing efforts with **China, Thailand, Hong Kong, Singapore, Malaysia and Indonesia**. DRPA retained a special agent to represent the Ports of Philadelphia in Taiwan and Korea. Through a management exchange program, DRPA built a special working relationship with the Port of Shanghai. ■ Efforts to secure more trade with the Orient bore fruit in June when Pacific International Lines began regular **STEAMSHIP SERVICE** between the Ports of Philadelphia and the Republic of China and the Ports of Philadelphia. ■ Realizing that expanded trade with the Soviet Union may also soon become a reality, DRPA began a Russian marketing initiative. This included a meeting between DRPA representatives and an official of the Soviet Merchant Marine.

■ **The division also expanded its South American marketing effort** through a regional trade representative for Brazil, Chile and Argentina. ■ Visitors from around the world were welcomed by the division, among them the ambassador from Kenya who expressed a strong desire to develop trade relations with the Ports of Philadelphia. ■ These visitors saw a port complex that is growing and becoming increasingly aggressive. ■ One demonstration of that renewed spirit took place in July when Pennsylvania began the process of replacing the Philadelphia Port Corp. with a new entity, the Philadelphia Regional Port Authority. The new authority will **represent port interests in Philadelphia, Bucks and Chester counties** and work with DRPA toward port unification. ■ Also in July the commissioners agreed to take a lead role in a study to determine if the **RIVER CHANNEL** should be deepened to 45 feet. ■ The concern for the river channel was also addressed in DRPA's "Legislative Consent Report" which set forth in a comprehensive document port unification's initial goals.





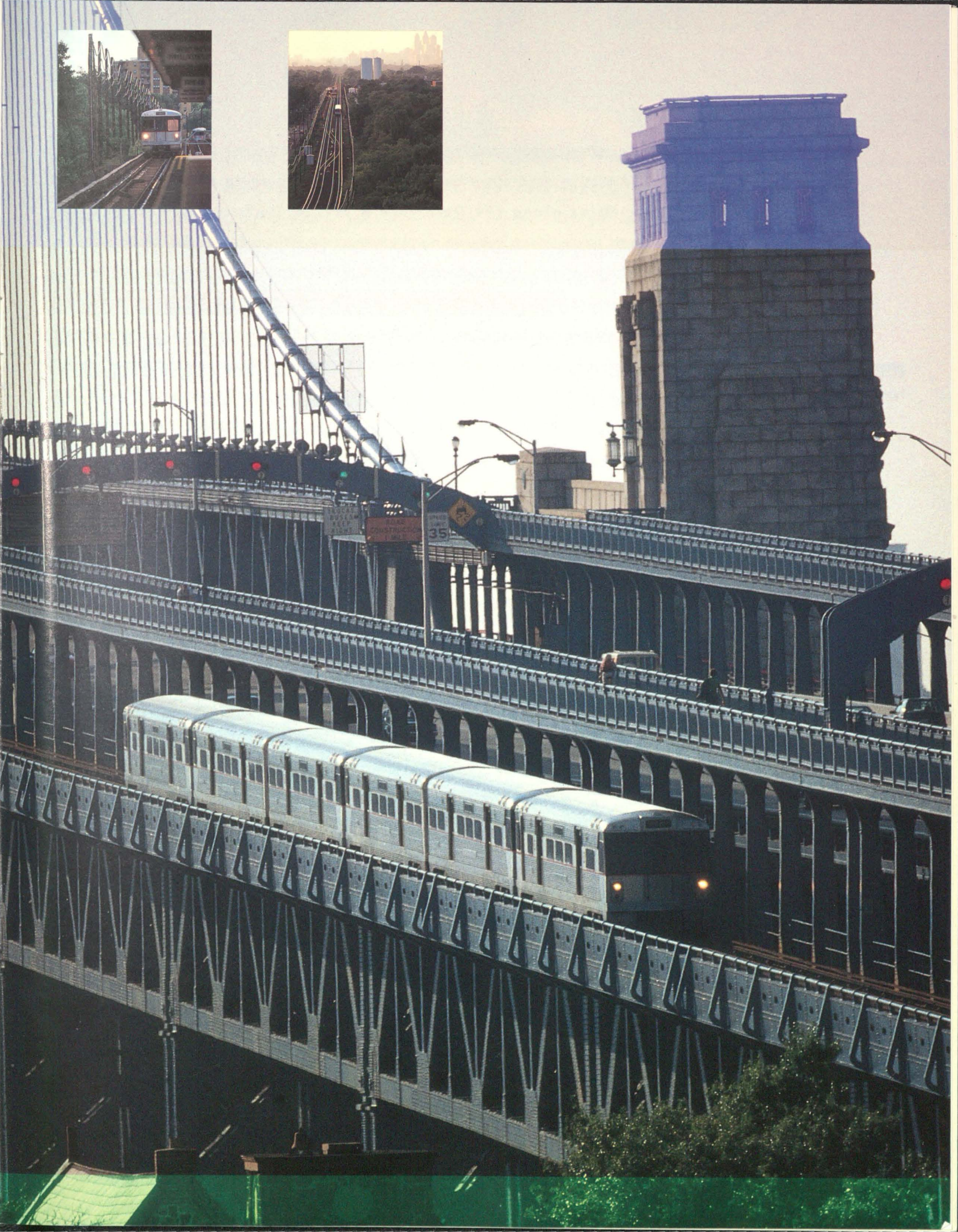
The Port Authority Transit Corp., a wholly owned subsidiary of the Delaware River Port Authority, celebrated its 20th birthday in February 1989. ■ The 14.2 mile commuter line received many tributes during the celebration including being hailed in the press as "one of the great transit successes in the world." ■ During its 20 years, the **PATCO HIGH-SPEED LINE** trains traveled more than 80 million miles and carried almost 210 million passengers. It has made an invaluable contribution to the region by easing traffic congestion, substantially reducing the number of parking places required in Philadelphia and reducing regional air pollution levels. ■ PATCO continues to perform at high levels of efficiency both in terms of on-time operation and revenue-to-expense ratio. Its popularity among commuters remains strong and PATCO parking lots are nearly full on most weekdays. ■ PATCO in 1989 marked its *fifth consecutive year of growth in the ridership rate*. The average weekly ridership in 1989 was 212,025, a 1.2 percent increase over 1988. ■ Total ridership for the 1989 fiscal year was 11,025,287. That was approximately 77,000 riders lower than in 1988, however 1988 had one extra week in its fiscal year. ■ Revenues in 1989 were \$15,085,522. This was a decline of 1.8 percent from 1988, also primarily due to 1989's shorter fiscal year. Operating expenses increased by 2.6 percent in 1989 to \$20,327,192 due principally to increased labor and labor related expenses. ■ The net operating revenue-to-expense ratio was 74.2 percent, which maintains PATCO's position as the most cost effective of any heavy rail transit system in the United States. That number is especially encouraging in light of the fact that *PATCO has not had a fare increase in seven years*. ■ There were 82,963 train trips scheduled in 1989. PATCO's on-time performance of 99.26 percent for all scheduled trips was the highest ever, producing an on-time average of 99.12 percent over the past five years. ■ **TRANSIT CAR MILEAGE** rose 2.5 percent in 1989 to a total of almost 4.2 million miles. This mileage is adjusted throughout the day to match patronage for maximum efficiency. ■ The increased mileage, in the face of a slight decrease in total ridership, was generated by signal system construction work and additional snow days. ■ The modernized PATCO station on Broadway in Camden was reopened

ROBERT G. SCHWAB

PATCO
General Manager



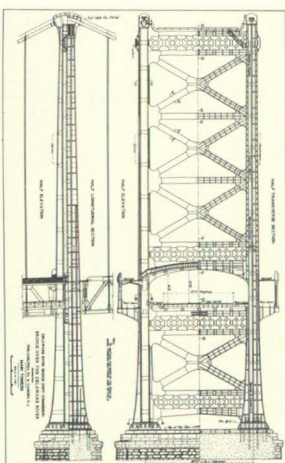
in May. The station had been closed for five years while the new **Camden Transportation Center was being constructed** by the City of Camden. ■ The transportation center, located directly above the PATCO Station, is jointly operated by New Jersey Transit, the Camden Parking Authority and PATCO. It houses the new headquarters of PATCO's Transit Police and Passenger Service Departments. ■ In a second cooperative venture, New Jersey Transit refurbished a portion of PATCO's **LINDENWOLD STATION** for use by the new Atlantic City Rail Line. ■ The line began service in early summer and data shows 75 percent of the Atlantic City passengers boarding at Lindenwold transfer from PATCO trains. ■ The Atlantic City line also connects with AMTRAK's northeast corridor service at Philadelphia's 30th Street Station and Atlantic City. A 5.8 mile portion of the rail line is owned by DRPA and leased to New Jersey Transit and AMTRAK. ■ Major DRPA and federally funded capital improvements to PATCO in 1989 included: — **Reconstruction of the 21-year-old parking lots** at the Collingswood, Lindenwold and Ashland stations. This work was substantially completed and similar work was well advanced at the parking lot of the Ferry Avenue Station. — Completed concrete and steel substructure repair work on 17 railroad bridges. These bridges, which date back to the early 1900s, carry PATCO over the Camden street system. — Installed crossover tracks and reverse signaling between Ferry Avenue and Broadway in Camden. — Continued the in-house, mid-life overhaul and upgrading of six of PATCO's 21-year-old rail cars. — **Upgraded PATCO's main frame computer** and added maintenance management information and revenue systems. Work was begun on new accounts receivable, security, payroll and general ledger systems. — Replaced worn and obsolete track system components. — Purchased track maintenance equipment including track ballast cars and a 25 ton capacity self-propelled crane which can operate over rails or highways. — Reclassified all PCB or PCB contaminated power transformers to non-PCB status by retro-flushing and retro-filling with non-PCB cooling and dielectric fluids. The work was completed in compliance with **U.S. ENVIRONMENTAL PROTECTION AGENCY REGULATIONS.**



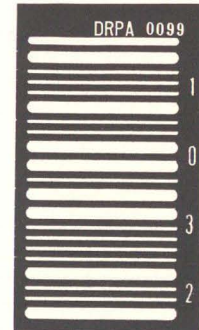
The Engineering and Planning Division, in addition to its responsibilities to maintain and improve DRPA facilities, became directly involved in 1989 with the plans to **unify and enhance port facilities along the Delaware River.** ■ The division, working through qualified experts, proceeded with preliminary planning for the proposed Regional Intermodal Transfer Facility. ■ This facility, when completed, will enable the Ports of Philadelphia to compete effectively for the growing volume of **INTERNATIONAL AND DOMESTIC CARGO** being shipped in metal containers. ■ The division, with the assistance of a leading real estate advisory firm, also began a market overview for the proposed international trade center. Various financial strategies were studied as well as a preliminary review of potential tenants. ■ The experts provided technical data and assisted in the preparation of DRPA's 104-page Legislative Consent Report which was completed in December and submitted to the legislatures of New Jersey and Pennsylvania. ■ The division will continue its planning and analysis through the early development stages of the projects and looks forward to the day when the blueprints become reality. ■ The division during 1989 also performed several engineering projects in support of PATCO. They included: — Completed a \$1.6 million program to rehabilitate substructures on **17 PATCO BRIDGES** in Camden using UMTA funds. A \$5.6 million program to rehabilitate the bridges' superstructure began in the fall. — Completed construction contracts to provide full reverse signaling between PATCO's Ferry Avenue Station and the terminus at 16th Street in Philadelphia. In addition, two storage tracks and a comprehensive system of crossovers were placed in service at Ferry Avenue. — Began designing a traffic signal to assist commuters using Ferry Avenue Station. The signal, when activated in 1990, will control traffic flow onto the White Horse Pike. — Hired experts in the field of handicapped access to design elevators, the first ever on the PATCO system, and other improvements to **help disabled individuals use the line.** — Awarded a contract to install a fire suppression system in the Lindenwold administration area. This system will provide an extra measure of safety and lower insurance costs. ■ At the Benjamin Franklin Bridge, the division began investigating alternatives for rehabilitating the toll plaza and specifically the deteriorating toll tunnel. The bridge's popular pedestrian walkway also received study and a replacement program is scheduled to start in 1990. ■ Preliminary design was completed on the road network to connect the Betsy Ross Bridge and I-95 with the Philadelphia street system at Torresdale and Aramingo avenues.

JOHN R. WOODRUFF

Director of Engineering



The Administration Division during 1989 provided a wide range of people-oriented services, both within DRPA's structure and **reaching out to the community it serves**. ■ The division deals on a daily basis with employees, retirees, customers, vendors and the general public. It is the prime point of contact for applicants seeking positions and to companies which provide goods and services to meet DRPA's varied needs. ■ The public most often came into contact with division employees through the sale of commuter tickets, senior citizen discount tickets and script. These popular programs, handled by the Toll Accounting Office, produced more than \$17 million in sales and build a positive image for DRPA within the community. ■ Also concerned with DRPA's image is the Office of Public Information. The office during 1989 handled media coverage on several major events including **PATCO'S 20TH ANNIVERSARY** celebration. ■ Public information worked with the executive director to prepare speeches and written statements about port unification and development. It also worked with numerous media contacts to make the public aware of the vital role the port community plays in the regional economy and the transportation services provided by DRPA and PATCO. ■ Those varied activities — **from running bridge operations to global marketing** of the Delaware River ports — requires a diverse and well trained work force. The Department of Personnel is responsible for recruiting, hiring, training and providing necessary services to keep the work force at optimum efficiency. ■ All hiring and promotions are conducted within the affirmative action guidelines established by the commissioners. ■ The personnel department also instituted a certified public management pilot program, conducted programs for those considering retirement and headed the United Way campaign that exceeded its goal by 25.4 percent. ■ **Toll Accounting handled more than \$85 million in bank deposits.** These deposits were verified by the Toll Audit Department, which also provided on-going traffic and revenue analysis. ■ The Department of Purchasing and Material Management processed 3,757 requisitions resulting in the acquisition of more than \$4.7 million worth of goods and services. Minority vendors were actively solicited and were well represented in the bidding process. The department also computerized its central storeroom, providing real time access to current inventory. ■ The Supervisory Safety Committee conducted **SAFETY PROGRAMS** at each bridge and the Insurance Office administered numerous programs including health, life, general liability and accident insurance and workmen's compensation. ■ The Print Shop produced a wide range of material including tickets, commuter stickers, script and contract books.



JAMES C. KENDIG

*Acting Director
of Administration*

Director of Finance

Gross Operating Revenues
(Millions of Dollars)

85	60.7
86	70.3
87	80.0
88	83.0
89	84.9

Operating Revenues in Excess
of Expenses
(Millions of Dollars)

85	28.2
86	35.1
87	43.7
88	43.8
89	43.1

Investment in Facilities
(Millions of Dollars)

85	570.4
86	621.6
87	642.5
88	663.5
89	677.7

Net Revenues Available for
Debt Service
(Millions of Dollars)

85	38.2
86	43.3
87	49.9
88	51.2
89	54.0

Interest on Funded Debt
(Millions of Dollars)

85	19.2
86	20.6
87	20.6
88	20.6
89	20.9

Funded Debt
(Millions of Dollars)

85	221.0
86	221.1
87	221.1
88	220.8
89	256.5

For the year 1989 total operating revenues increased by \$1,613,000 or 1.6 percent over comparable 1988 figures. This increase was due primarily to the **continued increase in bridge traffic** as outlined elsewhere in this report and was partially offset by a decline in PATCO total operating revenue of \$277,000. ■ Operating and administrative expenses, including depreciation of \$10.4 million, totalled \$72,505,000. Operating revenues exceeded expenses by \$27.4 million as compared to \$29.2 for 1988. PATCO's operating loss in 1989, including depreciation of \$3.4 million, was \$8,689,000. That was \$964,000 higher than in 1988. ■ Generally higher interest rates during 1989, coupled with an increase of funds available for investment, **resulted in gains in the revenue**, bond service, bond reserve and general funds. These investment earnings increasing from approximately \$7.4 million in 1988 to \$10.9 million in 1989. ■ All investments were made in accordance with the General Bond Resolution adopted by the commissioners on April 15, 1985. The earnings levels represent the continued **PRUDENT INVESTMENT** management by the finance committee. ■ After the deduction for interest of "outstanding" funded debt of \$20,884,000, there remained revenue of \$17,438,000 available for other DRPA expenditures. These expenditures include the World Trade Division and necessary capital projects. This was approximately \$1.5 million more than the amount available for similar expenditures in 1988. ■ By resolution dated Feb. 27, 1989, the Board of Commissioners authorized the issuance of \$179,464,000 Refunding Revenue Bonds, Series 1989. These bonds were issued on March 7, 1989 to provide funds to: — Refund a portion of the principal and interest of DRPA's \$218 million Revenue Bonds, Series 1985. — Make an additional deposit to the Bond Reserve Fund. — Pay certain costs incurred in connection with the issuance of the 1989 bonds. ■ The 1989 bonds are payable solely from, and secured by a pledge of, the **NET REVENUES** of the Delaware River Port Authority. They were delivered to the Depository Trust Co., New York, N.Y. ■ The general bond resolution does not recognize the inclusion of depreciation as an "operating expense." Statements of Revenue and Expenditures calculated in accordance with this bond resolution is shown as Note 10 to the financial statement.



DELAWARE RIVER PORT AUTHORITY

CONSOLIDATED FINANCIAL STATEMENTS

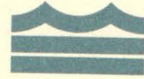


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INDEPENDENT AUDITORS' REPORT

Cherry Hill Office Center
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Cherry Hill, New Jersey 08034-1908
Telephone: (609) 667-8500

Cable DEHANDS

Commissioners
Delaware River Port Authority:

We have audited the consolidated financial statements of the Delaware River Port Authority and its subsidiary Port Authority Transit Corporation as of December 31, 1989 and 1988 and for the years then ended, listed in the foregoing table of contents. These consolidated financial statements and the supplemental schedules discussed below are the responsibility of the Delaware River Port Authority's management. Our responsibility is to express an opinion on the consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Delaware River Port Authority and its subsidiary Port Authority Transit Corporation at December 31, 1989 and 1988 and the results of their operations and the changes in their financial position for the years then ended, in conformity with generally accepted accounting principles.

Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The supplemental schedules listed in the foregoing table of contents are presented for purposes of additional analysis and are not a required part of the basic consolidated financial statements. Such supplemental schedules have been subjected to the auditing procedures applied in the audits of the basic consolidated financial statements and, in our opinion, are fairly stated in all material respects when considered in relation to the basic consolidated financial statements taken as a whole.

Deloitte & Touche

March 16, 1990

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 1989 AND 1988 (In Thousands)

ASSETS	NOTES	1989	1988
Cash	2	\$ 836	\$ 921
Investment in securities	1, 2, 5	95,414	81,011
Accrued interest receivable		1,019	750
Accounts receivable	3	1,227	1,865
Transit system inventory	1	2,558	2,371
Prepaid expenses		1,005	999
Total		<u>102,059</u>	<u>87,917</u>
RESTRICTED ASSETS:			
Cash		6	5
Investment in securities	1, 2, 7	51,814	54,122
Accrued interest receivable		1,186	1,203
Total restricted assets		<u>53,006</u>	<u>55,330</u>
INVESTMENT IN FACILITIES			
Less accumulated depreciation	4	677,667	663,505
		<u>(155,108)</u>	<u>(145,093)</u>
Investment in facilities—net		<u>522,559</u>	<u>518,412</u>
DEBT ISSUANCE COSTS, NET OF AMORTIZATION			
	7	<u>7,334</u>	<u>8,466</u>
FUNDED DEBT INTEREST COST			
	7	20,460	
TOTAL ASSETS		<u>\$705,418</u>	<u>\$670,125</u>

See notes to consolidated financial statements.



LIABILITIES AND NET ASSETS	NOTES	1989	1988
ACCOUNTS PAYABLE:			
Contracts		\$ 8,531	\$ 9,223
Retained amounts on contracts		990	2,142
Other	5	<u>4,305</u>	<u>3,743</u>
Total accounts payable		<u>13,826</u>	<u>15,108</u>
ACCRUED LIABILITIES:			
Pension	6	1,072	1,003
Sick and vacation leave benefits		10,756	9,952
Other		<u>1,423</u>	<u>1,491</u>
Total accrued liabilities		<u>13,251</u>	<u>12,446</u>
DEFERRED INCOME ON TRUCK TICKETS		<u>2,005</u>	<u>1,827</u>
ACCRUED INTEREST PAYABLE FROM RESTRICTED ASSETS	7	<u>11,087</u>	<u>10,082</u>
FUNDED DEBT	7	<u>256,527</u>	<u>220,844</u>
Total liabilities		<u>296,696</u>	<u>260,307</u>
RESERVES:			
Replacement and repainting	1	19,227	19,379
Other	11	<u>4,044</u>	<u>4,261</u>
Total reserves		<u>23,271</u>	<u>23,640</u>
NET ASSETS:			
From contributed capital	9	<u>37,165</u>	<u>29,889</u>
From operations:			
Designated for capital		229,039	271,523
Reserved for:			
Revenue bonds		17,829	24,648
Revenue bond service		7,612	3,735
Revenue bond interest		18,658	
Construction		10,975	10,109
Working capital and maintenance		20,886	19,603
Unreserved	8, 11	<u>43,287</u>	<u>26,671</u>
Total net assets from operations		<u>348,286</u>	<u>356,289</u>
Total net assets		<u>385,451</u>	<u>386,178</u>
TOTAL LIABILITIES AND NET ASSETS		<u>\$705,418</u>	<u>\$670,125</u>

**CONSOLIDATED STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS**
FOR THE YEARS ENDED DECEMBER 31, 1989 AND 1988 (In Thousands)



DELAWARE
RIVER PORT
AUTHORITY

	NOTES	1989	1988
OPERATING REVENUES AND EXPENSES:			
Bridges:	7		
Tolls		\$ 84,838	\$ 82,967
Other operating revenues		44	25
Total		<u>84,882</u>	<u>82,992</u>
Operating expenses		33,063	31,177
Depreciation	4, 9, 10	6,957	6,857
Total		<u>40,020</u>	<u>38,034</u>
Bridges net operating income		<u>44,862</u>	<u>44,958</u>
Transit system:			
Passenger fares		14,708	14,850
Other operating revenues		378	513
Total		<u>15,086</u>	<u>15,363</u>
Operating expenses		20,327	19,808
Depreciation	4, 9, 10	3,448	3,280
Total		<u>23,775</u>	<u>23,088</u>
Transit system net operating loss		<u>(8,689)</u>	<u>(7,725)</u>
General administration expenses		8,710	8,029
OPERATING INCOME		<u>27,463</u>	<u>29,204</u>
INTEREST INCOME (EXPENSE):			
Interest income		10,859	7,371
Interest on funded debt	7	(20,884)	(20,607)
Interest expense—net		<u>(10,025)</u>	<u>(13,236)</u>
INCOME BEFORE OTHER NONOPERATING REVENUES (EXPENSES)		<u>17,438</u>	<u>15,968</u>
NONOPERATING REVENUES (EXPENSES):			
Other interest income—Construction Fund		866	752
World Trade development expenses		(3,198)	(2,886)
Port Engineering planning and development expenses			(104)
Loss on early retirement of facilities		(12)	(58)
Bridge deck, suspender rope and weld studies			(76)
Other		71	
Nonoperating expenses—net		<u>(2,273)</u>	<u>(2,372)</u>
NET INCOME BEFORE EXTRAORDINARY ITEM		<u>15,165</u>	<u>13,596</u>
EXTRAORDINARY LOSS—1989 BOND REFUNDING	7	<u>(24,182)</u>	
NET INCOME (LOSS)		<u>(9,017)</u>	<u>13,596</u>
ADD DEPRECIATION ON ASSETS ACQUIRED WITH GOVERNMENT CONTRIBUTIONS—Charged against contributed capital	9	<u>1,014</u>	<u>848</u>
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS		<u>(8,003)</u>	<u>14,444</u>
NET ASSETS FROM OPERATIONS, BEGINNING OF PERIOD		<u>356,289</u>	<u>341,845</u>
NET ASSETS FROM OPERATIONS, END OF PERIOD		<u>\$348,286</u>	<u>\$356,289</u>

See notes to consolidated
financial statements.

**CONSOLIDATED STATEMENTS OF CHANGES
IN FINANCIAL POSITION**

FOR THE YEARS ENDED DECEMBER 31, 1989 AND 1988 (In Thousands)



DELAWARE
RIVER PORT
AUTHORITY

	<u>1989</u>	<u>1988</u>
CASH PROVIDED (USED) BY OPERATIONS:		
Net income before extraordinary item	\$15,165	\$13,596
Extraordinary loss	(24,182)	
Items not using cash:		
Depreciation	10,405	10,137
Amortization of:		
Bond discount	290	60
Bond issuance costs	635	384
Funded debt interest costs	564	
Effect of other balance sheet items:		
Accrued interest receivable and accounts receivable	369	(1,293)
Transit system inventory	(187)	(567)
Accounts payable	(1,282)	(1,520)
Accrued liabilities	805	457
Deferred income on truck tickets	178	306
Funded debt interest	(20,460)	
Replacement and repainting reserve	(152)	2,499
Self-insurance reserve	(217)	296
Restricted assets	2,324	(4,182)
Other	932	137
Cash provided (used) by operations	<u>(14,813)</u>	<u>20,310</u>
CASH PROVIDED (USED) BY FINANCING ACTIVITIES:		
Defeasance of funded debt	(134,015)	
Repayment of funded debt	(3,720)	(365)
Proceeds from 1989 Refunding Revenue Bond Series	173,128	
Cash provided (used) by financing activities	<u>35,393</u>	<u>(365)</u>
CASH USED FOR INVESTMENT ACTIVITIES:		
Investment in facilities additions	(15,898)	(21,644)
Cash provided by capital grants	8,290	9,132
Facilities disposals—net	1,346	227
Cash used for investment activities	<u>(6,262)</u>	<u>(12,285)</u>
UNRESTRICTED CASH AND INVESTMENT IN SECURITIES:		
Increase for the year	14,318	7,660
Balance, beginning of year	<u>81,932</u>	<u>74,272</u>
BALANCE, END OF YEAR	<u>\$96,250</u>	<u>\$81,932</u>

See notes to consolidated financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Operations—The Delaware River Port Authority (the "Authority") is a public corporate instrumentality of the Commonwealth of Pennsylvania (the "Commonwealth") and the State of New Jersey (the "State") created with the consent of Congress by compact legislation between the Commonwealth and the State. The Authority has no stockholders or equity holders and, among other powers, is vested with the control, operation and collection of tolls and revenues of certain bridges spanning the Delaware River (Benjamin Franklin, Walt Whitman, Commodore Barry and Betsy Ross bridges). The Authority has also constructed and operates a high-speed transit facility known as the Port Authority Transit Corporation (PATCO). The facility, a wholly-owned subsidiary, operates between Philadelphia, Pennsylvania, and Lindenwold, New Jersey. Through its World Trade Division, the Authority promotes the development and use of the Delaware River as a highway of commerce. The costs of providing facilities and services to the general public on a continuing basis are recovered primarily in the form of tolls and fares.

Basis of Presentation—The financial statements include the accounts of the Authority and PATCO. Material balances and transactions between the entities have been eliminated.

Investment in Securities—Investment in securities is stated at amortized cost (which approximates market), because it is the Authority's intention to hold these investments until maturity. Certain investments are required as reserves in connection with the Authority's funded debt (Notes 2 and 7).

Transit System Inventory—Transit system inventory, consisting principally of spare parts for maintenance of transit system facilities, is stated at the lower of cost (first-in, first-out method) or market.

Investment in Facilities—Investment in facilities is stated at cost, which generally includes expenses in connection with the offering, selling and issuance of bonds as well as interest expenses and administrative and legal expenses incurred during the construction period. Investment in facilities also includes the cost of improvements, enlargements and betterments to the original facility. Replacements of existing facilities (except police and other vehicles whose estimated useful life is two years or less) are also recorded at cost. The related costs and accumulated depreciation of the property replaced are removed from the respective accounts and any gain or loss on disposition is credited or charged to income.

Depreciation is provided using the straight-line method over the estimated useful lives of the related assets, including those financed by Federal contributions (Note 9). A charge representing depreciation on assets acquired with contributions is made directly to the related contribution accounts.

The Route 90 Freeway connections to the Betsy Ross Bridge were completed and opened to traffic on October 25, 1988. The Authority has agreed to reimburse the State a maximum sum of \$9,000 for the Authority's share of the construction of the roadway connections. As of December 31, 1989, the Authority has paid \$7,750 and accrued the remaining balance of \$1,250. The final payment of \$1,250 is due June 30, 1990.

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

Bridges, freeways and tunnels	100 years
Buildings, stations and certain bridge components	35-40 years
Electrification, signals and communication systems	30-40 years
Transit cars, machinery and equipment	10-25 years

The bridge facilities are stated at cost, net of contributions by the New Jersey Department of Transportation. The PATCO system first phase capital improvement program is stated at cost, net of reimbursements prior to 1981 from the Urban Mass Transportation Administration and other governmental agencies (Note 4). The PATCO system includes expenditures of Federal grants for capital improvements and additions (Note 9).

Reserve for Replacement and Repainting—Maintenance and repair costs considered necessary to maintain bridge facilities in good operating condition are charged to operations as incurred. Reserves sufficient to meet the estimated cost to repaint the bridges and replace road surfaces and fenders of bridge facilities are provided by periodic charges to operations.

Debt Issuance Costs and Bond Discount—Debt issuance costs and the discount arising from the issuance of the revenue bonds are amortized by the straight-line method from the issue date to maturity.

Insurance Expense—The Authority provides for the uninsured portion of potential public liability and workers' compensation claims through self-insurance programs and charges current operations for estimated claims to be paid (Note 11).

2. CASH AND INVESTMENTS

The Authority maintains cash and investments for all funds. The investments in various securities are maintained for specified funds in accordance with the general bond resolution adopted on April 17, 1985.

At December 31, 1989 and 1988 cash balances were \$842 and \$926, respectively, of which \$766 and \$785, respectively, was cash on hand. Balances of \$76 at December 31, 1989 and \$141 at December 31, 1988 were insured by federal depository insurance.

Investments are purchased in accordance with the General Bond Resolution of April 17, 1985. They include U.S. Government obligations, obligations of U.S. agencies or instrumentalities, and obligations of public agencies or municipalities rated A-1 by Standard and Poor's Corporation or P-1 by Moody's Investors Service.

Investments also include the assets of the Authority's deferred compensation plan. As indicated in Note 5, the Authority does not make contributions to the plan. The Authority considers the assets to be property of the Authority until disbursed.

The Authority's investments are categorized below to give an indication of the credit risk assumed by the Authority at December 31, 1989. Category 1 includes investments that are insured or registered or for which the securities are held by the Authority or its agent in the Authority's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the Authority's name. Category 3 includes uninsured and unregistered investments for which the securities are held by its bank's trust department or agent, but not in the Authority's name (the Authority had no Category 1 or Category 2 investments at December 31, 1989).

	1989			1988	
	Category 3	Carrying Amount	Market Value	Carrying Amount	Market Value
U.S. Agency securities	\$ 54,479	\$ 54,479	\$ 54,474	\$ 52,617	\$ 52,556
U.S. Government securities	84,736	84,736	84,732	81,513	81,258
Total	139,215	139,215	139,206	134,130	133,814
Cash on hand		766	766	785	785
Demand deposits		6,394	6,394	141	141
Mutual Funds (deferred compensation)		1,695	1,695	1,003	1,003
Total	\$139,215	\$148,070	\$148,061	\$136,059	\$135,743

	1989			1988		
	Restricted	Unrestricted	Total	Restricted	Unrestricted	Total
Reported as:						
Cash	\$ 6	\$ 836	\$ 842	\$ 5	\$ 921	\$ 926
Investments	51,814	95,414	147,228	54,122	81,011	135,133
Total	\$51,820	\$96,250	\$148,070	\$54,127	\$81,932	\$136,059

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE YEARS ENDED DECEMBER 31, 1989 AND 1988 (In Thousands)

3. ACCOUNTS RECEIVABLE

Accounts receivable include the following:

	<u>1989</u>	<u>1988</u>
Reimbursements from governmental agencies—capital improvements to the PATCO system due from the Urban Mass Transportation Administration	\$ 995	\$1,473
Other:		
Deposits with insurance companies	181	109
Miscellaneous	51	283
Total	<u>\$1,227</u>	<u>\$1,865</u>

Construction costs and accounts receivable relative thereto are generally subject to approval and audit by the applicable governmental agency.

4. INVESTMENT IN FACILITIES

Investment in facilities is composed of the following:

	<u>1989</u>	<u>1988</u>
Bridges:		
Benjamin Franklin	\$134,484	\$134,666
Walt Whitman	102,135	101,450
Commodore Barry (a)	141,384	141,146
Betsy Ross (a)	138,820	138,472
Total	516,823	515,734
Less accumulated depreciation	107,706	101,004
Net book value	409,117	414,730
Transit system:		
PATCO system (b) (Note 9)	157,006	145,833
PATCO system first phase capital improvement program (c)	1,938	1,938
Total	158,944	147,771
Less accumulated depreciation	47,402	44,089
Net book value	111,542	103,682
Regional Port Projects in Progress	1,900	
TOTAL INVESTMENT IN FACILITIES - NET	<u>\$522,559</u>	<u>\$518,412</u>

The following costs of facilities have not been included in the Authority's investment in facilities at December 31, 1989, since title to the respective assets has been retained by the participating agency.

(a) Commodore Barry Bridge, \$4,431 and Betsy Ross Bridge, \$5,472—construction, engineering, land and utility relocation costs by the New Jersey Department of Transportation.	
(b) \$1,700 by the New Jersey Transit Corporation.	
(c) \$59,610 at December 31, 1989 by the following participating agencies:	
Urban Mass Transportation Administration	\$44,531
State of New Jersey	13,165
Commonwealth of Pennsylvania	1,189
City of Philadelphia	725
Total	<u>\$59,610</u>

5. DEFERRED COMPENSATION PLAN

Both the Authority and PATCO have a deferred compensation plan which was established in 1985. All hourly and salaried employees are eligible to participate in the plan, which permits the participants to defer annually a portion of their salaries. The Authority and PATCO do not make any contributions to the plan. The plan assets were \$1,210 and \$485 at December 31, 1989 and \$715 and \$288 at December 31, 1988 for the Authority and PATCO, respectively. These assets are included in the accompanying financial statements in investments in securities as they are considered to be assets of the Authority and therefore are subject to the Authority's creditors until disbursement (see Note 2). The liability to employees is included in accounts payable—other.

6. PENSION PLANS

All full-time and part-time employees of the Authority and nonrepresented employees of PATCO are covered by the Pennsylvania State Employees Retirement System, which is a cost-sharing multiple-employer Public Employees Retirement System (PERS). PATCO represented employees are covered by the Teamsters Pension Plan of Philadelphia and Vicinity which is a cost-sharing, multiple employer plan.

A. *Plan Description and Provisions*

Pennsylvania State Employees Retirement System

All permanent full-time and part-time employees are eligible and required to participate in the Pennsylvania State PERS. The PERS provides pension, death and disability benefits. A member may retire after completing three years of service and after reaching normal retirement age (the age of sixty or the age at which thirty-five years of service has been completed, whichever occurs first). Benefits vest after ten years of service. If an employee terminates his or her employment after at least ten years of service but before the normal retirement age, he or she may receive pension benefits immediately or defer pension benefits until reaching retirement age. Employees who retire after reaching the normal retirement age with at least three years of credited service are entitled to receive pension benefits for the rest of their lives equal to 2% of their final average compensation (average of the three highest years in earnings) times the number of years for which they were employed by a participant in the State PERS. The pension benefits received by an employee who retires after ten years of credited service but before normal retirement age are reduced for the number of years that person is under normal retirement age.

Pension provisions include death benefits, under which the surviving beneficiary may be entitled to receive the employee's accumulated deductions less the amount of pension payments that the employee received, the present value of the employee's account at retirement less the amount of pension benefits received by the employee, the same pension benefits formerly received by the employee, or one-half of the monthly pension formerly received by the employee. The maximum pension benefit to the employee previously described may be reduced depending on the benefits elected for the surviving beneficiary.

The Authority's 1989 covered payroll and total payroll was \$28,544 and \$35,338, respectively.

Teamsters Pension Plan of Philadelphia and Vicinity

All PATCO union employees are eligible and required to participate in the Teamsters Pension Plan of Philadelphia and Vicinity. The plan provides pension, death and disability benefits. A member may retire at the later of (a) the date the employee reaches age 65 or (b) the tenth anniversary of the employee's commencement of participation in the plan. Additionally, employees are eligible for early retirement after 10 years of participation in the plan and (a) completion of 30 years vested service or (b) attainment of age 50 and completion of 10 years of vested service. Benefits vest after 10 years of service. An employee who retires on or after his or her normal retirement age is entitled to receive benefits based on his or

her credited years of service multiplied by a monthly benefit rate, which is determined based on the employer's daily contributions. The benefits are subject to maximum rates which vary according to employer daily contribution rates. Members may also receive benefits after early retirement at reduced rates depending on age at retirement.

An employee who qualifies for disability retirement benefits (total and permanent disability with 10 years of vested service, 5 years of service under a collective bargaining agreement and at least 300 covered days of contributions) is entitled to receive \$200 per month until retirement age, when retirement benefits would commence.

Provisions include surviving spouse death benefits, under which the surviving spouse is entitled to a 50% survivor annuity in certain cases.

PATCO's 1989 covered payroll and total payroll was \$5,545 and \$10,843, respectively.

B. *Contributions Required and Made*

Pennsylvania State Employees Retirement System

Employees of the Authority who were employed prior to July 22, 1983 and on or subsequent to July 22, 1983 are required to pay 5% and 6.25%, respectively, of their gross earnings to the pension plan. During 1989, the Authority was required to contribute 13.62% of covered payroll to the plan.

Total contributions made during 1989 amounted to \$5,433, of which \$3,888 and \$1,545 were made by the Authority and its employees, respectively.

Teamsters Pension Plan of Philadelphia and Vicinity

PATCO contributes nine dollars and eighty cents per day per participating union employee. The employees make no contributions to the plan. During 1989, PATCO contributed \$451, which is approximately 8% of covered payroll to the plan.

C. *Funding Status and Progress*

The amount of the total pension benefit obligation is based on a standardized measurement established by Governmental Accounting Standards Board Statement No. 5 (GASB 5) that, with some exceptions, must be used by a PERS. The standardized measurement is the actuarial present value of credited projected benefits. This pension valuation method reflects the present value of estimated pension benefits that will be paid in future years as a result of employee services performed to date, and is adjusted for the effects of projected salary increases.

A standardized measure of the pension benefit obligation was adopted by the GASB to enable readers of PERS financial statements to (a) assess the PERS funding on a going-concern basis, (b) assess progress made in accumulating sufficient assets to pay benefits when due, and (c) make comparisons among other PERS and among other employers.

Pennsylvania State Employees Retirement System

Total unfunded benefit obligation of the State PERS as of December 31, 1988 (the most recent plan information available) was as follows:

I. Projected benefit obligation:	
Retirees and beneficiaries:	
Superannuation retirements	\$2,295,911
Early retirements	668,140
Disabled	160,844
Beneficiaries	136,066
Total	<u>3,260,961</u>
Inactive participants	<u>67,762</u>
Active members:	
Employee contributions and interest	1,602,386
Employer-financed liability—vested	2,844,150
Employer-financed liability—nonvested	298,879
Total	<u>4,745,415</u>
Total obligation for all members	<u>\$8,074,138</u>
II. Market value of assets available for benefits	<u>\$8,311,830</u>
III. Excess of market value of assets available for benefits over projected benefit obligation	<u>\$ 237,692</u>

The Authority's required contribution to the State PERS represents approximately 1.08% of the total current year actuarially determined contribution requirements for all employers covered by the pension plan.

Ten-year historical trend information is presented in the 1988 Pennsylvania State Public Employees Retirement System Financial Report. This information is useful in assessing the pension plan's accumulation of sufficient assets to pay pension benefits as they become due.

Teamsters Pension Plan of Philadelphia and Vicinity

Total unfunded benefit obligation of the Teamsters Pension Plan of Philadelphia and Vicinity as of January 1, 1988 (the most recent plan information available) was as follows:

1. Accrued liability:	
(a) Active members:	
Retirement benefits	\$295,350
Termination benefits	23,123
Death benefits	6,148
Disability benefits	14,732
Total	339,353
(b) Retired members and beneficiaries	294,654
(c) Terminated vested members	88,109
Total	<u>\$722,116</u>
2. Actuarial value of assets	<u>\$342,285</u>
3. Unfunded accrued liability as of January 1, 1988	<u>\$379,831</u>

PATCO'S required contribution to the Teamsters Pension Plan of Philadelphia and Vicinity represents less than .9% of total employer contributions to the plan. Ten-year historical trend information regarding this plan is not available.

D. *Related Party Investments*

During 1989, neither the State PERS or the Teamsters Pension Plan of Philadelphia and Vicinity held any securities issued by the Authority or other related parties.

In addition to providing pension benefits, the Authority provides certain health care and life insurance benefits for retired employees. Substantially all of the Authority's employees may become eligible for those benefits if they reach normal retirement age (the age of sixty or the age at which thirty-five years of service has been completed, whichever occurs first) while working for the Authority. These, and similar benefits for active employees, are provided through an insurance company whose premiums are based on the benefits paid during the year. The Authority recognizes the cost of providing these benefits by expensing annual insurance premiums, which were \$735 and \$671 for 1989 and 1988, respectively.

7. FUNDED DEBT

In 1985, the Authority issued \$222,235 of revenue bonds. Such issue was established and authorized by the Authority pursuant to the General Bond Resolution and First Supplemental Resolution dated April 17, 1985. The 1985 bonds were authorized and issued as an issue of Subordinate Bonds, to refund all of the Authority's then outstanding bonds and to pay certain costs incurred in connection with the issuance of the 1985 bonds. The Authority's refunding program was undertaken to restructure the Authority's debt with the objective of reducing its debt service requirements during the years 1985 through 1989, although the Authority's aggregate debt service requirements while the 1985 bonds are outstanding remains approximately the same as the aggregate debt service requirements prior to the refunding.

On March 7, 1989 the Authority issued \$179,464 of Refunding Revenue Bonds, Series 1989. Such issue, dated February 1, 1989, was established and authorized by the Authority pursuant to the General Bond Resolution and Second Supplemental Resolution, dated February 27, 1989, which authorized the 1989 Bonds as Subordinate Bonds to 1) provide payment for all interest and the redemption price of the 1985 Term Bonds due January 1, 2011 (principal amount \$124,165) due and payable on July 1 and January 1 of each year, commencing July 1, 1989 to and including January 1, 1995, the date fixed for the redemption as a whole of such 1985 Term Bonds; 2) provide payment for all interest on 1985 Term Bonds due 2002 and the redemption price of \$10,865 of such bonds (total principal amount \$49,305) due and payable on July 1 and January 1 of each year, commencing July 1, 1989 to and including January 1, 1995, the date fixed for the redemption of such portion of the 1985 Term Bonds; 3) provide for payment on a portion of the interest for the 1985 Serial Bonds due and payable on July 1 and January 1 of each year, commencing July 1, 1991 to and including January 1, 1995; 4) deposit moneys to the Bond Reserve Fund in order to satisfy the bond reserve requirement under the Resolution; and 5) pay costs and expenses incurred in connection with the issuance of the 1989 Bonds.

The 1989 Refunding Revenue Bond net proceeds and the balance in the 1985 Bond Reserve Fund were used to purchase U.S. Government securities which were placed in irrevocable trust accounts with a trustee to provide debt service payments as described above until the term bonds are called on January 1, 1995 at 103%. The debt to be serviced from the irrevocable trusts is considered defeased and thus was removed from the Authority's balance sheet as of March 7, 1989.

The undefeased 1985 bonds outstanding at December 31, 1989 are as follows:

<u>Maturity Date (January 1)</u>	<u>Interest Rate</u>	<u>Principal Amount</u>
Serial Bonds		
1990	7.25%	\$ 3,815
1991	7.50	4,500
1992	7.75	4,885
1993	8.00	5,290
1994	8.25	5,735
1995	8.50	6,245
1996	8.60	6,800
1997	8.70	7,410
		44,680
Term Bonds		
2002	9.375%	38,440
Total par value of 1985 bonds outstanding		83,120

The 1989 bonds outstanding at December 31, 1989 are as follows:

<u>Maturity Date (January 1)</u>	<u>Interest Rate/Yield</u>	<u>Principal Amount</u>
Serial Bonds		
1995	6.80%	\$ 4,015
1996	6.90	7,295
		11,310
Capital Appreciation Bonds		
1997	7.05%	4,538
1998	7.10	8,595
1999	7.15	8,003
2000	7.20	7,435
2001	7.25	6,901
2002	7.30	6,413
2003	7.35	5,889
		47,774
Term Bonds		
2007	7.375%	71,535
Serial Bonds		
2008	6.50%	21,295
2009	6.50	22,645
2010	7.00	2,370
2011	6.50	2,535
		48,845
Total par value of 1989 bonds outstanding		179,464
Less unamortized bond discount on serial and term bonds		6,057
Total — net		173,407
Total funded debt		\$256,527

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued
FOR THE YEARS ENDED DECEMBER 31, 1989 AND 1988 (In Thousands)

Interest on the 1985 and 1989 Serial and Term bonds is payable semi-annually on January 1 and July 1 in each year. The 1989 bonds (other than the 1989 Capital Appreciation Bonds) bear interest from the February 1, 1989 issue date and the first payment of interest commenced July 1, 1989. The 1989 Capital Appreciation Bonds bear interest from the date of original issuance and delivery, March 7, 1989. Interest on these bonds is compounded on January 1 and July 1 of each year, commencing July 1, 1989 and is payable only at maturity. Interest expense includes interest on the bonds and amortization of debt issuance costs and debt issuance discount.

The Bond Service Fund (a component of restricted assets) has net assets of \$1,003 at December 31, 1989. Such amount is net of \$2,841 of accrued interest expense on the Authority's \$47,774 principal amount of 1989 Capital Appreciation Bonds. None of this expense was or is required to be funded by the Authority until the 1996 calendar year. The Second Supplemental Resolution dated February 27, 1989 requires that, commencing January 20, 1996, the Authority shall make monthly deposits with the Trustee to the Bond Service Fund for the payment of the accreted value on the 1989 Capital Appreciation Bonds, as they mature and become due on a principal payment date.

The 1985 Term bonds maturing on January 1, 2002 and the 1989 Term bonds maturing on January 1, 2007 are subject to mandatory redemption prior to maturity at a redemption price equal to the principal amount thereof, plus accrued interest to the date of redemption on January 1 in the years and the amounts specified below:

1985 Term Bonds Due January 1, 2002		1989 Term Bonds Due January 1, 2007	
Date	Amount	Date	Amount
1998	\$ 6,315	2004	\$16,025
1999	6,950	2005	17,200
2000	7,620	2006	18,480
2001	8,360		
Total	29,245	Total	51,705
At maturity, 2002	9,195	At maturity, 2007	19,830
Total	<u>\$38,440</u>	Total	<u>\$71,535</u>

The 1985 bonds maturing on or after January 1, 1996 and the 1989 bonds maturing on or after January 1, 2000 (other than the Capital Appreciation Bonds which are not subject to redemption prior to maturity) are subject to optional redemption prior to maturity on or after January 1, 1995 (the 1985 bonds) and January 1, 1999 (the 1989 bonds), as a whole at any time, or in part on any interest payment date on or after such dates, at the respective redemption prices set forth below, in each case together with accrued interest to the redemption date:

Redemption Dates (Inclusive)	Redemption Price	
	1985 Bonds	1989 Bonds
January 1, 1995 to December 31, 1995	103%	
January 1, 1996 to December 31, 1996	102	
January 1, 1997 to December 31, 1997	101	
January 1, 1998 and thereafter	100	
January 1, 1999 to December 31, 1999		102 %
January 1, 2000 to December 31, 2000		101½
January 1, 2001 to December 31, 2001		101
January 1, 2002 to December 31, 2002		100½
January 1, 2003 and thereafter		100

If less than all of the 1985 bonds are to be called for optional redemption, the Trustee will select the 1985 bonds to be redeemed in inverse order of maturity. If less than all of the 1989 bonds are to be called for optional redemption, the Trustee will select the 1989 bonds to be redeemed as the Authority may designate to the Trustee.

The 1985 and 1989 bonds are payable solely from and secured by a pledge of (1) net revenues of the Authority and (2) all moneys and securities from time to time deposited in the funds and accounts established by the General Bond Resolution, except for unrestricted assets in the General Fund, and the 1989 Escrow Account B, in the Bond Redemption Fund (a component of restricted assets).

The Bond Service requirements for the 1985 and 1989 bonds of \$5,640 and \$4,619, respectively, and the bond reserve requirement of \$34,600, established by and defined in the General Bond Resolution and the First Supplemental Resolution adopted April 17, 1985, and the Second Supplemental Resolution adopted February 27, 1989, were met by the Authority. On February 27, 1989, the Authority authorized the purchase of a surety bond for the purpose of funding approximately one-half of the Bond Reserve Fund.

In accordance with the terms and provisions of the Arbitrage Compliance Agreement and the Investment Agreement, both dated March 7, 1989 and the Second Supplemental Resolution dated February 27, 1989, the Authority on July 3, 1989 made the first of a series of semi-annual General Fund deposits with the Bayerische Landesbank Girozentrale. Use of these deposits is restricted to the January 1, 1995 redemption of the undefeased 1985 Term bonds due January 1, 2002.

Maturities on the Authority's outstanding long-term debt during the next five years are as follows:

	<u>1985 Bonds</u>	<u>1989 Bonds</u>
1990	\$3,815	\$ —
1991	4,500	—
1992	4,885	—
1993	5,290	—
1994	5,735	—

To accomplish the 1985 refunding, the Authority deposited proceeds from the 1985 bond sale, together with U.S. Treasury obligations transferred from its 1974 Debt Service Reserve Fund, into a separate irrevocable trust fund pursuant to an Escrow Deposit Agreement dated May 15, 1985.

The investment and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the following outstanding debt has been defeased by the 1985 refunding and therefore removed as a liability from the Authority's balance sheet:

- \$100,000, 5.625%, 1969 First Series Revenue Bonds, maturing January 15, 2009.
- \$100,000, 6.50%, Series 1972 Revenue Bonds, maturing January 15, 2011.
- \$77,400, 6.00%, Series 1972 Refunding Revenue Bonds, maturing January 15, 2010.
- \$11,395, 7.25%, Series 1974 Special Revenue Refunding Bonds, maturing January 15, 1990.

To accomplish the 1989 refunding program, the Authority on March 7, 1989 deposited with First Fidelity Bank National Association, New Jersey, Trustee, proceeds of \$151,283 from the sale of the \$179,464 Refunding Revenue Bonds, Series 1989, together with \$24,941 cash transferred from its 1985 Bond Reserve Fund. These funds were credited to two separate accounts, "1989 Escrow Account A" and "1989 Escrow Account B", and immediately thereafter invested by the Trustee in United States Treasury obligations. Each of the 1989 Escrow Accounts shall be held by the Trustee as trust funds and deemed irrevocably set aside as such for the safe and exclusive benefit of the holders of the 1985 bonds to the extent and in the manner set forth in the Second Supplemental Resolution dated February 27, 1989.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — Continued
 FOR THE YEARS ENDED DECEMBER 31, 1989 AND 1988 (In Thousands)

The maturing principal of and interest on the United States Treasury obligations and other available moneys are sufficient to fully service the defeased debt until the debt is called. For financial reporting purposes, the following outstanding portions of the 1985 Revenue Bonds have been defeased by the 1989 refunding and therefore removed as a liability from the Authority's balance sheet:

\$124,165 9.375%, Series 1985 Term Bonds due January 1, 2011
 10,865 9.375%, Series 1985 Term Bonds due January 1, 2002

The defeasance of debt resulted in an extraordinary loss of \$24,182, which was recognized in 1989. However, on an economic basis, such extraordinary loss will be more than recovered over the original term of the defeased debt. As a result of this advance refunding, the Authority expects to reduce its total debt service requirements over the original period that the 1985 Term Bonds would have been outstanding by approximately \$16,000.

The extraordinary loss from the bond refunding is determined as follows:

1989 bonds issued	\$179,464
1985 debt — defeased	<u>(135,030)</u>
Difference	44,434
Increased by:	
1985 Bond Reserve Fund transferred	24,941
Unamortized costs of 1985 defeased debt	6,212
Other	121
Decreased by:	
Funded interest on undefeased 1985 debt	(21,024)
Accrued interest on 1985 bonds	(2,321)
1989 bonds:	
Reserve Fund	(17,194)
Discount	(6,337)
Insurance premiums	(2,284)
Underwriter's discount	(2,108)
Other costs	<u>(258)</u>
Extraordinary loss	<u>\$ 24,182</u>

8. COMMITMENTS

As of December 31, 1989 the Authority had contractual commitments as follows:

	<u>Total</u>
Benjamin Franklin Bridge:	
Roadway connections (a)	\$ 500
Engineering services:	
Toll plaza rehabilitation	67
Inspection roadway deck	9
Transformer retrofill	1
Steel painting	32
Contracts:	
Steel painting	568
Material inspecting and testing	16
AT&T System, maintenance and service	132
Consulting services for installation of computer systems	147
Walt Whitman Bridge:	
Engineering services—transformer retrofill	14
Commodore Barry Bridge:	
Engineering services:	
Design and construction of a sewer force main and pumping station	22
Energy management systems	1
Transformer retrofill	19
Betsy Ross Bridge:	
Engineering services:	
Preliminary and final design for the connection of Torresdale and Aramingo avenues to the Betsy Ross Bridge and I-95	2,268
Transformer retrofill	4
PATCO System:	
Engineering services:	
Upgrade intersection at Ferry Avenue and Whitehorse Pike	18
Reverse signalization	2
Station platform concrete repairs and surface treatment	4
Parking facilities at six passenger stations	27
Rehabilitation of bridges from Newton Avenue to Crescent Boulevard	151
Contracts:	
Rehabilitation of bridges:	
Substructure	220
Superstructure	5,292
Parking lot rehabilitation—N.J. Stations	982
Double crossover and storage track Ferry Avenue Station	8
World Trade development	27
Regional Port Projects:	
Transport Release Automated Cargo System	500
Feasibility Planning:	
Regional Intermodal Transfer Facility	505
Port Enhancement Project	58
Total	<u>\$11,594</u>

(a) The Authority has agreed to contribute funds to the Commonwealth for roadway connections between the Benjamin Franklin Bridge, the Vine Street Expressway and I-95 in an amount not-to-exceed \$500.

The Authority has reached an agreement with the Pennsylvania Department of Transportation for highway and roadway connections between Interstate 95, Aramingo-Torresdale Avenues and the Betsy Ross Bridge. The project cost estimate has not been finalized but is expected to significantly exceed an earlier estimate of \$28,500 which was preliminary in scope and based on construction costs now several years old. The Authority has engaged consulting engineers to prepare a formal cost estimate for the project. The Authority is responsible for the payment of the construction costs, of which Federal Highway Administrative funds for approximately one-half of the cost will be sought. Of the Authority's cost, approximately \$7,282 held in escrow by the Authority, is an obligation of the Authority to the Commonwealth. Should Federal Aid Highway Funds not be available, the Authority has the option to cancel the project, but the escrow money must still be remitted to the Commonwealth.

Under an agreement dated June 12, 1986, the Authority leases sixty-three lanes of toll collection equipment. On May 24, 1989 the Authority entered into a new long-term lease agreement, which provides for the installation and maintenance of a computerized toll collection and audit system for sixty-five toll lanes, at the Authority's four bridges. The agreement covers a minimum period of ten years which commences after the equipment is completely installed at all four bridges. Two lanes of the new toll collection equipment have been installed, tested, accepted and placed in operation at the Betsy Ross Bridge. The tentative completion schedule for installation of the remaining new leased equipment is as follows:

<u>Bridge</u>	<u>Completion Date</u>
Betsy Ross	March 1, 1990
Commodore Barry	June 1, 1990
Walt Whitman	December 1, 1990
Benjamin Franklin	April 1, 1991

Certain subway properties are leased from the City of Philadelphia. The lease expires December 31, 1997 and provides for rental payments of one dollar per year plus 9.6% of net profits of the Transit System. For the year ended December 31, 1989, no additional rent is payable since operations of the Transit System resulted in a loss when computed in accordance with terms of the lease agreement.

Under the terms of the Authority's agreements with the Pennsylvania and New Jersey Departments of Transportation and the City of Philadelphia, the Authority leases, for the annual rental of one dollar, certain of the facilities constructed or acquired under the PATCO System first phase capital improvement program. Title to the facilities will vest in the several agencies participating in the project, but the Authority is required to provide the insurance and maintenance of the leased property (Note 4).

Minimum lease commitments are as follows:

1990	\$621
1991	67

Rent expense for the years ended December 31, 1989 and 1988 amounted to \$1,097 and \$969, respectively.

9. GOVERNMENT CONTRIBUTIONS FOR CAPITAL IMPROVEMENTS AND ADDITIONS

The Authority receives contributions in aid for financing capital improvements and additions to the rapid transit system from the Urban Mass Transportation Administration. Capital improvement grant funds of \$8,290 and \$9,132 were received in 1989 and 1988, respectively. Charges representing depreciation on assets relating to these contributions were \$1,014 in 1989 and \$848 in 1988.



	<u>1989</u>	<u>1988</u>
Cumulative contributions	\$41,399	\$33,109
Less accumulated depreciation on assets acquired with contributions	<u>4,234</u>	<u>3,220</u>
Total contributed capital	<u>\$37,165</u>	<u>\$29,889</u>

**10. STATEMENTS OF REVENUES AND EXPENSES
IN ACCORDANCE WITH AUTHORITY BOND RESOLUTION**

The following statements of revenues and expenses have been prepared in accordance with the provisions of the Authority's Bond Resolution which does not provide for depreciation as an operating expense except for the PATCO System. The Authority's total net assets would be increased by \$107,706 as a result of excluding all such accumulated depreciation through December 31, 1989.

	<u>1989</u>	<u>1988</u>
Operating revenues and expenses:		
Bridge tolls	\$84,838	\$82,967
Other operating revenues	<u>44</u>	<u>25</u>
Total	84,882	82,992
Bridge operating expenses	<u>33,063</u>	<u>31,177</u>
Total	51,819	51,815
General administration expenses	<u>8,710</u>	<u>8,029</u>
Operating revenues in excess of expenses	43,109	43,786
Interest income (expense):		
Interest income	10,859	7,371
Interest on funded debt	<u>(20,884)</u>	<u>(20,607)</u>
Total	<u>33,084</u>	<u>30,550</u>
Nonoperating revenues (expenses):		
Other interest income	866	752
World Trade development expenses	(3,199)	(2,886)
Port engineering, planning and development expenses		(104)
Transit system operating loss	(8,689)	(7,725)
Loss on early retirement of facilities	(262)	(375)
Bridge deck, suspender rope and weld studies		(76)
Other	<u>71</u>	
Total	<u>(11,213)</u>	<u>(10,414)</u>
Net revenues before extraordinary item	21,871	20,136
Extraordinary item—loss on bond refunding	<u>(24,182)</u>	
Net revenues (expenses)	<u>\$ (2,311)</u>	<u>\$20,136</u>

11. CONTINGENCIES

The Authority is self-insured for the initial \$5,000 and \$300, per occurrence, of public liability and workers' compensation insurance, respectively. PATCO is self-insured for the initial \$5,000, per occurrence, of public liability insurance and is totally self-insured for workers' compensation.

The Authority and PATCO are involved in various actions arising in the ordinary course of business and from workers' compensation claims. In the opinion of management, the ultimate outcome of these actions will not have a material adverse effect on the consolidated financial position.

**SUPPLEMENTAL STATEMENTS OF CHANGES IN NET ASSETS - BY FUNDS
AND COMBINED TOTALS**
FOR THE YEAR ENDED DECEMBER 31, 1989 WITH 1988 COMBINED TOTALS
(In Thousands)



	RESTRICTED						General Fund	1989 Combined Totals	1988 Combined Totals
	Capital Fund	Revenue Fund	Bond Service Fund	Bond Reserve Fund	Bond Redemption Fund	Construction Fund			
NET ASSETS AT BEGINNING OF YEAR	\$301,412	\$44,489	\$ 3,735	\$24,648		\$10,109	\$ 1,785	\$386,178	\$363,450
Revenues and expenses:									
Operating revenues		84,882					15,086	99,968	98,355
Operating expenses	(10,405)	(33,063)					(20,327)	(63,795)	(61,122)
General administration expenses		(8,710)						(8,710)	(8,029)
Interest income		7,360	469	1,373	\$ 1,238		419	10,859	7,371
Interest on funded debt	(924)		(16,356)		(3,604)			(20,884)	(20,607)
Other income (expenses)	(155)					866	(2,984)	(2,273)	(2,372)
Extraordinary loss from bond refunding	(39,692)	(60)	2,321	(7,775)	21,024			(24,182)	
Total	(51,176)	50,409	(13,566)	(6,402)	18,658	866	(7,806)	(9,017)	13,596
Government contributions for capital improvements and additions	8,290							8,290	9,132
Interfund transfers and payments:									
Bond Service		(14,554)	14,554						
Funds in excess of Bond Reserve requirement		417		(417)					
Funds free and clear of any lien or pledge		(22,400)					22,400		
Retirement of bonds— Revenue Bonds Series 1985	3,720		(3,720)						
Completed capital additions	4,976						(4,976)		
BFB Roadway Deck—insurance retrospective adjustment	(1,018)						1,018		
NET ASSETS AT END OF YEAR	<u>\$266,204</u>	<u>\$58,361</u>	<u>\$ 1,003</u>	<u>\$17,829</u>	<u>\$18,658</u>	<u>\$10,975</u>	<u>\$12,421</u>	<u>\$385,451</u>	<u>\$386,178</u>

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