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Keynote Address:

“Moving the Region Forward: Achieving the Port Authority’s Mission of Transportation Infrastructure Development and Economic Growth”

*New Jersey Performing Arts Center Business Partners Roundtable
New Jersey Performing Arts Center, Newark
December 13, 2012*

Thank you for that kind introduction and warm welcome. I am, of course, privileged to be here speaking before such a distinguished group of New Jersey's business leaders.

As New Jersey's business leaders, you are on the front lines of creating jobs and helping drive our state's economy; and all of us at the Port Authority are committed to working right alongside you to achieve those same objectives.

Of course, our primary focus is on maintaining modern, reliable transportation infrastructure because businesses require bridges, tunnels, airports, seaports and mass transit facilities if they are to succeed and create jobs and the economic benefits that go with them. While Port Authority transportation projects create direct jobs and economic stimulus in and of themselves, they also create benefits that ripple throughout our regional economy and support thousands of indirect jobs.

I thought you might find it interesting to hear some of what the Port Authority is doing to ensure that our vital transportation infrastructure is up to the important task of empowering commerce. That has been the agency's mandate since it was created more than 90 years ago, when elected officials and business leaders from both sides of the Hudson met in lower Manhattan.

Their purpose was to establish an agency that would develop the New York-New Jersey port district with the specific goal of improving commerce and trade between the two states. The Port Authority was the first bi-state agency ever created in this country and it is still unique. While other authorities focus on bridges and tunnels, a port, an airport, a mass transit system, or economic development, we do all of that and more.

The Port Authority has built and maintained some of the most significant and iconic transportation assets in the world, including the George Washington Bridge, Lincoln Tunnel and Port Authority Bus Terminal.

But the Port Authority does not exist only to build and operate transportation infrastructure. It exists to make our region's economy stronger and more vibrant. You see, transportation

infrastructure is a means, not an end, to fulfilling the Port Authority's other main priority – driving economic growth. And on that front, we are succeeding. Our network of aviation, ground, rail, and seaport facilities supports more than 550,000 regional jobs that generate more than \$23 billion in annual wages and \$80 billion in annual economic activity.

Even with this success, Governors Christie and Cuomo have made it clear that they want us to expand the Port Authority's historical role as the region's engine for economic growth. I know first-hand that Governor Christie has set clear priorities for the agency along those lines.

Specifically, he wants us to:

- Emphasize projects that support job creation and economic activity;
- Bolster commerce at our ports and airports, and
- Make the necessary investments in the infrastructure that supports the lives and livelihoods of New Jersey residents and businesses.

We will not disappoint him. The Board, along with senior leadership including Deputy Executive Director Bill Baroni, is energized, proactive and moving decisively to ensure the Governor's priorities are met. I believe we're heading in the right direction, but the job will not be easy.

When I took over as Chairman two years ago, I thought of the Port Authority as having unlimited financial resources. But I soon learned that was not true.

Rather, what I found was that the Port Authority faced increased demands for capital at the same time its revenues were down and its finances weakened. As business people, you know that's not a good combination for any enterprise. You also know that when resources are limited, difficult choices have to be made. Perhaps the most difficult for us was our decision in August 2011 to raise tolls and fares. Allow me to explain exactly why that decision was necessary.

First, The Port Authority receives no subsidies from New Jersey, New York State or New York City, and it doesn't raise taxes. All the agency's revenues come from tolls, fares, rents, charges and user fees at our facilities; bond issues; and income from our financial investments.

Second, the prolonged recession that began in 2008 hit the Port Authority especially hard. The downturn led to fewer commuters, businesses, and travelers using our facilities. In fact, traffic at our bridges and tunnels has declined every year since 2007. Obviously, the result has been significantly lower revenues.

Compounding the effects of the economic downturn on our revenues are the increased long-term financing costs associated with the decline of the variable rate debt market and lower investment earnings as a result of the protracted low interest rate environment since 2008. These factors combined had a profound impact on the resources available to fund our capital spending.

At the same time, we faced increasing capital demands. We had more than \$40 billion of projects to complete over the next ten to fifteen years. Many were state-of-good-repair projects that could not be deferred; and the reason they could not be deferred can be summed-up in one word: Age. Some of our facilities are more than 80 years old and require continuous repair and rehabilitation, if not complete replacement. Two good examples of these types of projects are at the Lincoln Tunnel and George Washington Bridge.

The Lincoln Tunnel Helix is the engineering marvel that funnels tens of millions of vehicles each year from the top of the Palisades in Weehawken into the tunnels to New York City. It is 75 years old and has narrow lanes and an abundance of potholes. Delays of 30 minutes or more are not uncommon, as many of you know from first-hand experience. It will cost \$98 million to rehabilitate, but if we don't do it now, we're looking at more costly emergency repairs later and even greater traffic delays.

At the George Washington Bridge, we're investing \$1 billion to replace all of the vertical suspender rope cables – you know, the ones that actually hold up the bridge. I don't want to alarm you, but those cables have been in place since the day the G-W-B opened in 1931. Don't worry, they are still structurally sound but are reaching the end of their useful life. By way of comparison, the Golden Gate Bridge in San Francisco opened in 1937 and all its suspender rope cables were replaced between 1972 and 1976.

We estimate the Lincoln Tunnel and George Washington Bridge projects combined will create over 4,000 jobs, \$287 million in wages, and more than \$1.1 billion of economic activity for the region. These are just two of the many thousands of projects, large and small, the Port Authority must fund and complete to keep our transportation infrastructure in a state of good repair, our people moving, and our region's economy thriving.

As I said a moment ago, our resources are not unlimited, but that does not relieve us of our obligation to complete another project that has required a significant financial commitment – nor would we want to be relieved of that obligation. I'm referring, of course, to the World Trade Center.

We are obligated to rebuild the World Trade Center as a symbol of our nation's strength and resilience, and to serve as an economic force for the New York/New Jersey region. In 2012, we made significant progress, and marked several important milestones. At the end of April, One World Center claimed the title of tallest building in New York, surpassing the Empire State Building. In June, on Flag Day, President Obama and First Lady Michelle Obama joined Governors Christie and Cuomo at One World Trade Center to view the progress and sign the steel beam that "topped off" the vertical construction.

We have also made significant progress on the other areas of the 16-acre site, including the Transportation Hub, which will serve as link to the PATH, city subway lines and ferry service on the Hudson River. We're on schedule for a 2014 opening and, once the project is completed, the World Trade Center site will be the new beacon of Lower Manhattan, attracting jobs and visitors to the shops, restaurants, and the 9/11 Memorial and Museum.

But it will have placed a significant financial burden on the Port Authority at a time when money is tight. We estimate the entire project cost to be \$15 billion at completion, with the Port Authority's share about \$8 billion.

We also have an obligation to be responsible stewards of public funds and, as a result, are always looking for ways to maximize our resources. Like all public-sector entities, we are reducing spending and figuring out the best ways to do more with less. Last week, the Board passed a \$2.57 billion operating budget for 2013 that keeps administrative expenses virtually flat for a fifth consecutive year and maintains agency headcount at the lowest levels in four decades.

The budget also reflects millions of dollars in savings in compensation and benefit expenses resulting from aggressive reforms the Board implemented in conjunction with our decision to raise tolls and fares. For the first time in Port Authority history, we now require non-union employees to contribute to the cost of their health care benefits. We also eliminated other add-on compensation plans and changed costly vacation policies. Those changes alone will save the Port Authority \$41 million in 2013 and tens of millions of dollars more going forward.

Over the next few months, we will be developing a long-term capital budget that will be firmly rooted in our fiscal realities. In the meantime, we continue moving ahead with our priority capital programs and projects to maintain our facilities in a state of good repair..

We're also trying to maximize our resources by using innovative financing strategies. One of the ways we're doing that is through public-private partnerships.

We are using a public-private partnership to replace the 85-year old Goethals Bridge. Studies show it is physically and functionally obsolete: The lanes are too narrow and there are no shoulders or safety medians. If you've ever been stuck behind a broken-down truck on a rainy day there, you don't need an engineering study to know what I'm talking about.

The Goethals simply no longer meets current highway safety and engineering-design standards, but we can't do without it. The bridge connects Elizabeth to Staten Island and sits in one of the most strategic transportation locations in our region. More than \$33 billion of goods cross it every year to and from airports, rail lines, trucking routes and seaports in both states.

Replacing the Goethals Bridge will cost an estimated \$1.5 billion, but doing it as a public-private partnership will yield significant cost savings for the Port Authority. We already have proposals from three pre-qualified developer teams to design, build, finance and maintain the new bridge, and are in the process of evaluating those proposals.

We're also reviewing the potential for entering into a public-private partnership to rebuild LaGuardia Airport's Central Terminal Building. I think you may have already picked up on a common theme, but here again, we're talking about a facility that is old, obsolete, and unable to meet the demands of air travelers today, let alone in the future. It is in such bad shape, the roof leaks.

Replacing the C-T-B will cost \$3.6 billion and take six to eight years. We are, obviously, looking to reduce this cost significantly through the participation of a private partner. We're still very early in the process, and work probably won't begin before late 2014, but we do have proposals from 15 interested firms.

A little closer to home, we plan to pursue a similar public-private partnership to replace Terminal A at Newark Liberty. Our goal is to provide a state-of-the-art facility that will be large enough to handle the future mix of aircraft and forecasted increases in passenger demand. The Board will likely authorize a Request for Information to be issued for the project in the coming months.

The Port Authority is also partnering with the private sector on several other transportation infrastructure improvements at Newark Liberty. In connection with the 2014 Super Bowl, we've already secured \$70 million in private investments for the building of a new United Airlines aircraft maintenance hanger, passenger terminal and ramp renovations, and improvements at the airport Marriott Hotel. Those investments will create more than 540 jobs, \$30 million in wages, and upwards of \$131 million in economic activity.

Finally, last year, we extended our lease with P-N-C-T at Port Newark. That deal is bringing \$500 million in private capital investment to upgrade the facility into a state-of-the-art terminal.

Between the toll and fare revenues, cost savings, operational reforms, and public-private partnerships, we are able to maximize our resources to fund other noteworthy projects that will directly benefit the people of New Jersey.

Let me start with a quick update on a project that I have a particular interest in—Raising the Roadway of the Bayonne Bridge.

When the Bayonne Bridge was completed in 1931, all the ships in the world were able to pass under this beautiful, iconic structure and serve the Port of New York and New Jersey. Today, the problem we're facing is, as the Panama Canal is expanded to accommodate larger cargo ships, those ships will not fit under the Bayonne Bridge as it stands.

To put it in perspective, today's ships can carry about 4,000 cargo containers. The ships that will be passing through the widened Panama Canal will be carrying 16 to 18 thousand cargo containers. Obviously, in terms of efficiencies, it makes good business sense for the shippers and the businesses who are receiving those goods, but creates a costly problem for us.

The simple fact is that if we don't raise the roadway of the Bayonne Bridge, we lose the ability to handle those larger ships, which are the future of seaborne cargo shipping, and our pre-eminent position as the leading cargo destination on the East Coast of the United States.

So our engineers have come up with an innovative solution to raise the roadway to 215 feet. The bridge stays where it is, the roadway gets raised, and throughout the entire process cars and trucks will continue to cross the bridge with only limited interruptions and ships will still pass beneath it.

We are investing a billion dollars in this project, which will create more than 6,300 jobs in the construction trades. Those jobs will generate \$380 million in wages, \$1.6 billion in economic activity during construction, and significant economic benefits to local businesses.

More importantly, raising the roadway of the Bayonne Bridge will ensure that the Port of New York and New Jersey remains the premiere East Coast destination for cargo shippers and continues to sustain our region's economic vitality. Our ports support almost 280,000 jobs, generate \$11.6 billion in personal income and \$5.2 billion in federal, state, and local taxes. We are on-target to complete this project before the scheduled start of commercial operations at the widened Panama Canal in late 2015.

We also have set our sights on improvements to the PATH system. Almost 77 million passengers used PATH last year and we're on-pace to break that record this year.

In April, the Board authorized \$256 million to replace the 76-year-old Harrison station, just across the river from here. Over the past 10 years, Harrison has seen significant residential and commercial development in the area around the PATH station, and it has become necessary for us to build a modern transit station to accommodate increasing ridership now and in the future. The Board also has approved the continued review of plans to extend the Newark-World Trade Center PATH line to Newark Liberty Airport, which would provide travelers with a single-seat ride from Lower Manhattan to the airport. Upon completion, this project will save time and money for riders, and increase options for people heading to Newark Liberty.

We're also looking into the feasibility of taking over operations at Atlantic City International Airport. In September, the Board approved \$3 million to study whether that makes sense. We're looking at ways to relieve the congestion that's only going to get worse at our regional airports in the years ahead, and we need to explore all available options. We have engaged a consultant to work with our own professionals to evaluate our options and determine our next steps.

The Port Authority is also partnering with NJDOT on a \$1.8 billion infrastructure program that includes the rehabilitation of the Pulaski Skyway, the replacement of the Route 7 Wittpenn Bridge in Kearny, and the construction of a new road extending Route 1 and 9 Truck in Jersey City.

These projects will provide for the more efficient movement of people and goods from New Jersey's airports and ports to the Holland and Lincoln Tunnels. During construction, the projects will generate over 7,500 jobs, nearly \$458 million in wages and \$1.7 billion in sales.

As you can see, we have a long list of necessary projects and not all of them promise great returns, but we don't calculate our return on investment the way businesses do. Our return on investments is measured in jobs and economic activity – and not just in the short term over the life of each project. Rather, our return is measured in the long term, over the course of decades, as businesses such as yours, the people who work for you, the vendors who sell to you, and the customers and clients you serve, use Port Authority facilities. That is how we create and support jobs and help drive our economy.

As the Port Authority looks to the future, it's important that we draw on the lessons of our 90-plus year history. Port Authority facilities have withstood the test of time, through the Great Depression, World War II, and two terrorist attacks that targeted our nation and the Port Authority's home at the World Trade Center. None of those events weakened the Port Authority's resolve.

Less than two months ago, the Port Authority faced the latest test of its resolve and resiliency. Hurricane Sandy caused tens of billions of dollars of damage throughout New York and New Jersey and claimed dozens of lives. Several Port Authority facilities sustained heavy damage from flooding. More than 250 million gallons of water flooded the World Trade Center site. That's enough water to fill a swimming pool about six-and-a-half miles long, 50 feet wide and 10 feet deep. The Hoboken PATH station is still closed as we work around the clock to repair the damage there.

Our initial estimate is that Sandy cost us \$1 billion. That includes lost airport, seaport and toll revenue; repairs; replacing damaged equipment; and pumping out all that water.

Sandy also taught us a valuable lesson. As the Port Authority goes forward, our transportation infrastructure must be resilient and able to withstand the effects of future mega-storms so that we can keep people and goods moving and the regional economy functioning.

That is why, at last week's Board meeting, I tasked the Port Authority with becoming the regional leader in post-Sandy infrastructure planning and development. As a first step, we will add a "post-Sandy" resilience analysis to all future capital projects. I've asked staff to develop a detailed proposal for the Board by February.

The Port Authority is stepping up because I believe we are uniquely positioned to take on this leadership role. As I said a moment ago, the agency has seen it all and dealt with it all during its more than 90-year history.

The time to think about preparing our transportation infrastructure for another "super storm" is now. That is exactly what the Port Authority is doing, with an eye toward the future, as we always have done.

In closing, I will say that I and the Port Authority Board welcome your interest and participation. We want to know how we can improve the lines of communication and responsiveness, and are eager to work with you on any projects that make economic sense, create jobs, and help us achieve the goals Governor Christie has laid out for us.

At the end of the day, we all want the same thing: a thriving New Jersey economy, a strong business environment, and our fellow Garden State residents working at good-paying jobs. None of that will happen or be sustained without a strong, modern, reliable, and resilient transportation system. We look forward to working with you to make our shared goals a reality.

Thank you.