

**The Port Authority of New York and New Jersey**  
**Committee on Operations Meeting Transcripts**  
**February 9, 2012**

[Chair D. Samson] Today's meeting of the Committee on Operations is being held in public session in its entirety. In addition, the meeting is being broadcast live on the Port Authority's website for those interested in viewing today's proceedings via the Internet. Our first discussion item is being presented by our Deputy Director of Aviation Jeffrey Pearse, concerns an incentive program to encourage airlines to provide passenger air service to new destinations from Stewart International Airport. Jeff?

[J. Pearse] Thank you. Good morning Commissioners. Today, I'm here to seek your approval to continue and enhance the air service incentive program at Stewart International Airport. The program would support our long-term commitment to the airport and the community, particularly our efforts to market the airport as an alternative international gateway for low-cost airlines and charter operators. Since acquiring Stewart Airport in November 2007, overall passenger enplanements at the airport have decreased by approximately 60%. This is due to continuing negative economic conditions combined with significantly higher fuel costs and a reduction in overall industry capacity. As a result, airlines have been reducing seats and retiring smaller less fuel-efficient regional jets that predominantly serve airports like Stewart. Some airports in closer proximity to major international hubs have witnessed a complete cessation of scheduled air service. Most airports have implemented aggressive incentive programs to retain and attract new service. In an effort to prevent a further reduction in air service, the Board authorized a retention incentive program in August of 2008. The program waved certain fees and rentals for all airlines providing service at Stewart for a period of 3 months. The program proved to be successful in retaining our existing airlines and air service at the time. The Board was also informed that staff would develop longer term solutions to grow air service at Stewart. In September 2010, the Board authorized a two-year air development incentive program for Stewart. Given the significant number of airports competing for a limited number of available seats, the surging fuel prices, and continuing economic challenges, staff have been aggressively pursuing airlines and routes while marketing Stewart as an alternative gateway for the New York-New Jersey region. In addition to several added frequencies to existing markets, seasonal service to Cancun, Mexico was added. These efforts have yielded some interest in long-haul wide-body international operators that would be willing to share the risk associated with developing a new route in a relatively unknown airport. Before you are examples of business- to-business and consumer-marketing materials that we've produced and placed in different publications. Today, we seek to enhance the current incentive program to provide the following for any new or incumbent carrier or charter tour operator providing scheduled non-stop passenger service to a new destination not currently served at Stewart. A credit for ground-handling service charges, marketing and advertising support, and a reduction in rent and fees associated with that new service. The program incentives would be available for a two-year period for each new service destination provided that the service starts by March 31, 2017. This program will become effective on April 1 with your approval. The Board recently approved a terminal expansion project at Stewart that would provide for a permanent facility to process international operations. This item seeks to attract and sustain new service and the associated revenue by mitigating the start-up and marketing costs during the critical first 24 months of service, and we want to raise, again, the

international profile of Stewart as a viable alternative gateway to the New York-New Jersey metro region. Expanding terminal capacity to accommodate additional carriers while encouraging carriers to use Stewart supports our efforts to promote the airport as a viable fourth for the region and consistent with our commitment to grow service overall. The marketing and ground-handling expenses associated with the program will vary by type of aircraft and the number of seats. These expenses will be offset by the additional revenue received due to the increased service incurred--generated by the program. No cost will be incurred in the event airlines or charter operators fail to take advantage of the incentive. Commissioners, I request in advance--you advance this program to the full Board for approval today.

[Chair D. Samson] Thanks Jeff. Do any of the commissioners have any comments or questions about the presentation or the agenda item? Pat?

[P. Foye] I'd just make--sorry, Commissioner.

[Comm. V. Bauer] What are the marketing costs? What are about the numbers that we're talking about?

[J. Pearse] What we're talking is about \$3 per outbound seat, and it's based on the size of the aircraft, and, again, the number of seats. So, we would provide up to \$150,000 for a domestic service and up to \$250,000 for an international service.

[P. Foye] The only reservation that I want to make is the way it's appropriated.

[P. Foye] The way the program is structured if--the Port Authority is obligated to make payments only if flights arrive.

[S. Pearse] Absolutely.

[P. Foye] No flights, no payment.

[S. Pearse] Right.

[P. Foye] No obligation.

[S. Pearse] The best way to look at this is as if it were a discount. So, say an airline was to begin service to West Palm Beach on a 166-seat aircraft every day for 365 days, a full year. That would typically cost an airline at Stewart about \$600,000 in annual airport-related rates and charges. Under this incentive, we would basically give them a 50% discount off those charges during the first year of the service. And, you know, airlines manage costs like every other enterprise, and the difference between allowing a carrier to receive some kind of cost benefit or sharing of the risk you know positions us and Stewart in a way that maybe other airports aren't willing to work with them. So, it enhances the competitiveness of Stewart in terms of attracting more service.

[Comm. V. Bauer] And our experiences show that this has been successful thus far.

[J. Pearse] Yeah, we haven't--certainly our incentive wasn't--again, our incentive was introduced with your approval during the start of the recession, really. So, unfortunately, while we had some success certainly with the Cancun service and with retaining Jet Blue, and Delta, and seeing additional service added by them. It's been only marginally effective which is why we've come back now with a more enhanced program that lasts 5 years and also includes that international component.

[Chair D. Samson] Thanks Jeff. Bill? Okay, if there are no other questions or comments I'd like to move this forward to the public agenda. Can I get a second?

[Comm. S. Reichler] I second it.

[Chair D. Samson] All in favor?

[All Commissioners] Aye.

[Chair D. Samson] So moved. The next discussion item is presented by our Program Director of Tunnels, Bridges, and Terminals, Joanne Papageorgis, and concerns our next steps to address the navigational air-draft clearance limitations on the Bayonne Bridge, and Joanne before you start I just want to say that I think this is a great example, Pat, of what we can do as an organization to move a major project forward that I know you've been concerned about and focused a lot of your comments recently on on your interview tour concerning bringing a product to market and how quickly we can do it, particularly when we have regulatory straight-jacketing approvals that are necessary, and I think with Joanne's leadership-- --I've been meeting with her on a monthly if not more frequent basis to follow her progress. She's doing a great job, and it's a tribute to her leadership how she--and her cooperation with our federal and state partners on this project, a major project of great importance to the agency that we've gotten this far, but anyway, Joanne?

[P. Foye] Chairman can I say one thing?

[Chair D. Samson] Yes.

[P. Foye] I agree fully. The other thing I think is worth noting, I think that the progress is in large part due to an extremely high level of cooperation among Bridges and Tunnels, Ports and Engineering.

[Chair D. Samson] No question, and the Law Department which is an important part in this factor, right Darrell?

[P. Foye] Absolutely.

[Chair D. Samson] Okay, thanks. Joanne?

[J. Papageorgis] Well, thank you Chairman for that introduction, and good morning Commissioners. In December 2012, I provided an overview of our recommendations to expedite the Bayonne Bridge navigational clearance program to the Committee on Construction. Today, I

will be updating this committee given the significant operation nature of this program in ensuring that the economic vitality of the region is met. This morning I'd like to provide an update on our overall schedule and accomplishments to date and request your approval of 2 separate items concerning the Bayonne Bridge. The first item is a brief overview of our program accomplishments during 2012. As you will recall, in May 2011 we obtained planning authorization to perform preliminary engineering and initiate our environmental and regulatory review process. Since May we have significantly expedited the program schedule as highlighted by the milestones on this slide. I'm pleased to report that we have completed our preliminary engineering design. Our environmental need for process is on schedule. We have not identified any significant property or right-of-way issues, and the work zone remains confined to Port Authority property, and we continue to seek ways to expedite our permit and regulatory review process which is the critical path to raising the roadway of the Bayonne Bridge. In anticipation of upcoming Bayonne Bridge Construction Program, the program team is taking several proactive steps to expedite and coordinate this future construction program. The first step is the advancement of the Bayonne Bridge main span arch, paint, removal, and repainting work effort. This contract is included on the February report of actions. This necessary state of good repair project has independent utility and would be performed regardless of the Bayonne Bridge Raise the Roadway Construction Project. The Outerbridge and the Goethals Bridges, and most of the George Washington Bridge have already undergone paint removal and repainting. As shown on the top graphic, the scope of work will focus on the areas of the main span arch beneath the existing roadway. The entire Bayonne Bridge still retains its original paint coating dating back to its construction in 1931. The age and condition of the original paint is shown on these photos, and a 2004 condition survey recommended repainting. Additionally, structural steel repairs as identified in prior surveys or discovered during the paint removal would be performed on an as-needed basis. Performing this work in advance of the Bayonne Raise the Roadway Construction Project provides several advantages to the program in terms of the schedule improvements, early identification and performance of necessary steel repairs, and also facilitates construction staging coordination when we start with Bayonne Raise the Roadway Construction Project. As I mentioned earlier, the Bayonne Repainting Program was expedited in October 2011, and within 2 months the engineering team developed the contract bid documents. They prepared them, they advertised them, and the bids were received in early December. Extensive contractor qualification requirements were set forth in the bid documents. The recommended awardee is Ahern Painting Contractors Inc. at their low bid contractors fee of 3.23%. The bid is cost effective when compared with the alternate option of waiting until we start the Bayonne Bridge Raise the Roadway Project and have to add on additional contractor and subcontractor markup fees. Ahern Painting, Inc. also satisfactorily completed similar work on both the Goethals Bridge and the Outerbridge structures. We expect substantial work to be completed by third quarter of 2013. Given the significant upcoming construction work on the Bayonne Bridge, close coordination is being performed between both projects. The painting program fieldwork is forecast to be complete prior to the start of the Bayonne Bridge Raise the Roadway Construction Project. The painting program contract work has independent utility. It is a state of good repair work that needs to be completed, and it does not conflict with the Bayonne NEPA process. Performing the bridge painting contract work ahead of the Bayonne Raise the Roadway Project offers several program benefits including it will proactively identify and repair any structural issues before we start bridge construction. It simplifies the Bayonne Bridge construction staging and reduces the contractors risk in coordination and costs since the work will already be

completed, and accelerating this work will create jobs now, providing a boost for the local economy. Commissioners I request your concurrence on this contract award.

[Chair D. Samson] Thanks Joanne. Any questions or thoughts?

[Comm. D. Steiner] So I understand this is a-- --really a cost plus contract it sounds like a price contract

[J. Papageorgis] Yes it is.

[Comm. D. Steiner] Is that typically what you have to do in painting because of the nature of weather conditions and things that are unknown?

[J. Papageoris] Yes.

[Comm. D. Steiner] That it's impossible to get a fixed price. I want everybody to understand that, and we have no cap on that. There's no cap on it.

[J. Papageorgis] We have an estimate of \$5-10 million which is our contractor's estimate on this item.

[Comm. D. Steiner] Between 5 and 10 million?

[J. Papageorgis] Yes.

[Comm. D. Steiner] That's a big range, but--and historically what's been experienced on a bridge repainting? Have we been able to bring them in at fair prices?

[J. Papageorgis] Yes.

[Comm. D. Steiner] And this fellow has worked for us before?

[J. Papageorgis] He just finished the Outerbridge, and prior to that he did the Goethals.

[Comm. D. Steiner] It was satisfactory?

[J. Papageorgis] Yes.

[Comm. D. Steiner] He performed fairly at a fair price?

[Chair D. Samson] Thanks Commissioner. Any other questions about the project or this agenda item? Joanne thank you, again, for your leadership on this thing. You're satisfied with the way this project's moving?

[J. Papageorgis] Yes, I am.

[Chair D. Samson] Good. So are we. I would like to move this for approval.

[Comm. V. Bauer] So moved.

[Chair D. Samson] Okay. So moved.

[B. Baroni] There's another half to this.

[K. Eastman] Yes, that was one.

[J. Papageorgis] Yes, this is the first part, which is the painting program. Then, we have an update on the overall Bayonne.

[Chair D. Samson] Right. Let's go.

[J. Papageorgis] Click. Yeah. Wait, go back one please. Increase it. Okay, change that. Okay, this is it. Sorry. The second item we want to discuss this morning is I'm also pleased to report that the Bayonne Bridge Navigational Clearance Program remains on schedule, and this second update highlights recommendations to further expedite our overall programs schedule for the Raise the Roadway Project. In 2011, we expedited our preliminary engineering ahead of our NEPA environmental review process, and there now exists the opportunity to modify our procurement process to a traditional design-bid-build process with the benefits noted on this slide. Today we are seeking to increase planning in the amount of \$35 million for a total authorization of \$70 million. This increase will take us from preliminary design to 100% of final design.

[J. Papageorgis] In May 2011, the Board authorized a total of \$35 million in planning for the Bayonne Bridge Raise the Roadway. An overview of our prior professional service authorizations include the following: the initial professional services agreement for the preliminary engineering was awarded to the selected consultant firm HDR Engineering and PB Americas, Inc. in June of 2011. At a total agreed cost not to exceed \$9.3 million of which \$5.8 million in planning funding was authorized. The firm was selected with a publicly advertised RFP process using qualifications-based approach and weighted criteria for technical approach, management firm, and staff qualifications with costs as a consideration. The existing professional services agreement for a final engineering design and construction support services during stages 3-5 is recommended to be increased to a total cost not to exceed \$34.7 million of which \$27 million in funding for these services being requested as part of the proposed increase in the planning authorization. The remaining \$7.7 million will be subject to a future board authorization. The proposed \$35 million increase in planning will be used for completion of the final engineering design, the environmental approvals, permits and support efforts leading to a future Board project authorization in 2013. Commissioners in order for staff to continue our expedited efforts, I request your authorization for a \$35 million increase in planning authorization and our associated professional service agreements. The future construction of this project is anticipated to generate 6,300 job years, \$38 million in wages, and \$1.6 billion in economic activity. Commissioners, I request you advance this item to the full Board for approval today.

[Chair D. Samson] Thank you. Do any of the commissioners have any questions or comments about this item? Pat? Bill? Therefore, I would like to move it forward for Board approval. May I have a second?

[D. Steiner] So moved.

[Chair D. Samson] All in favor?

[All Commissioners] Aye.

[Chair D. Samson] So moved. The final--thank you Joanne.

[J. Papageorgis] Thank you.

[Chair D. Samson] The final presentation for today's committee meeting will be presented by Pat Foye concerning the Port Authority's Freedom of Information Policy. Pat?

[P. Foye] Thank you Chairman. It was Justice Louis Brandeis who said, "Sunlight is the best disinfectant." He was speaking about open--open government and transparency in government. Both Governors Cuomo and Christie have adopted that policy. The Port Authority is a public agency. We have an obligation to the public, stakeholders, elected officials, and the media to provide access to information on what's protected by exceptions. For instance, there's national security, port security, personnel, and other issues. We're aware that there's been a discussion, Chairman, in both states on these issues, and possible discussion of legislation. My colleague Bill Baroni and I have been working on this matter for some matter of months with our colleagues in the Law department and the Office of the Corporate Secretary, and Chairman what we propose to do is to come back to you Vice-Chairman Rechler and the Board at the March meeting with proposals that be adopted. I note that a significant number of the FOIL requests--FOIA requests already in the shop were linked to compensation, and the Board's decision over the last several months to disclose online, regularly updated, that should ameliorate and mitigate the number of FOIA requests that come in. However, I think Bill Baroni and the entire management team believe that we can and will and must do better, and we'll come back to the Board with a report in March.

[Chair D. Samson] That's great. I'd just like to--well before I say anything, do any of the Commissioners have any comments or questions about this? This is just an informational item anyway. You know, Pat, I think I speak for the entire Board when I say that first of all we recognize the contextual issue here. We get as an Agency a great many FOIA requests, and I think generally speaking the record--the track record of the Agency has been good. My understanding is in the last year we've been somewhere around 50% within 5 days of responding completely. In many cases we can't do that because the breadth of the--and scope of the request just requires a great deal of digging and information many of which--much of which is historical and archival, but having said that I'm convinced that we can do better. A great deal of this is perception. You know the Authority as we all know is going through some difficult times right now in terms of public perception. I speak for the Board when I say that the Board is committed to conducting its business to the extent it can with increased transparency, and certainly a FOIA

policy that reflects that spirit, and that tone, and carries out the policy in the spirit of both States as you pointed out OPRA and FOIA policies respectively would certainly go a long way toward increasing the credibility--the authority in the public's mind. So, we all look forward to getting the specific recommendation from senior management, and I'm certain that the Board is looking for a more expansive, more effective, more responsive policy on the one hand, and a tightening up of some of the exceptions so that we don't get involved in discretionary arguments with people who are requesting information. Mr. Vice Chairman?

[Vice-Chair S. Rechler] I agree with everything Mr. Chairman said. The only thing is just, again, what I hope is at the next meeting that you actually not only provide a report, but you actually provide an actionable item just like you have with the disclosure of the payroll. I think one of the key initiatives that we've been acting on within the last couple of months is taking action and historically kicking the can down the road and letting things die down through reports I think has been a challenge for this agency, and so having something we can act on as a Board I think is terrific.

[P. Foye] Mr. Vice Chair that is the plan. We will come with a recommendation and an action proposal.

[Chair D. Samson] Great, great. Any other commissioners? Commissioner Steiner? You have anything you'd like to say about that?

[Comm. D. Steiner] Not today.

[Chair D. Samson] On that note of optimism, there's no action required on this. There being no further business before the committee, the meeting is now adjourned. Thank you.