

FULL TRANSCRIPT

PART 1:

GOVERNOR CHRISTIE: Good morning. Yesterday, I received a final memorandum from Jim Weinstein, the Executive Director of New Jersey Transit, and the person in charge of the working group I put together about two and a half weeks ago to work with the federal government on the ARC project to see if there was a way to work around the unacceptable level of risk and cost that was being asked to be borne by the taxpayers of the state of New Jersey. And over the last two weeks, Mr. Weinstein, Bill Baroni, Deputy Executive Director of the Port Authority, and Wayne Hasenbalg, my policy director, have met with federal officials both in person and telephonically through conference calls to discuss various aspects of this plan to determine whether or not we could responsibly move forward for the taxpayers of the state.

Let me be clear on a few things to make sure we're all on the same page in terms of background. This project, in August, was estimated by the FTA to have a cost range between \$10.9 billion and \$13.7 billion. When that was brought to my attention in August, it became clear to me that this was a project that had the potential for crowding out everything else that New Jersey is trying to do regarding fiscal responsibility. The potential for \$2-5 billion cost overruns was something that was unacceptable for me to contemplate, knowing that it was just the beginning, potentially, of what this project would cost.

Now, FTA and the New Jersey Transit worked together thereafter. There has not been significant change in those \$2-5 billion numbers, as Secretary LaHood announced to all of you by press release last Friday. 1.9 to 4.8 is a whole heck of a lot different in my mind when you're talking about the scope of this project, as compared to \$2 billion to \$5 billion. Now, the FTA's full funding agreement required that any money over the \$3 billion put forward by the federal New Start's program would have to be the responsibility of the state of New Jersey. \$3 billion of that was to come from the Port Authority of New York and New Jersey. They need to stop there as well because that \$3 billion is New Jersey money, because that \$3 billion has to be matched by \$3 billion in projects that will spent on the New York side of the river. So it's not as if that's free money from someplace that the toll payers and taxpayers of the state of New Jersey have no role in creating, or in fact, in order to keep the 50/50 equity that is the basis of the Port Authority of New York and New Jersey, \$3 billion in projects was committed to the New York side of the river in response to the \$3 billion that we have for the ARC project.

Every dollar over that was again the responsibility of the taxpayers of New Jersey, including the portal bridge south, which for reasons that I will never understand, were not included in the original project. You need to understand that the \$800

million for the portal bridge south and the building of the portal bridge south was an indispensable element to this project. The trains heading to what would be the ARC Tunnel would fall into the river without the portal bridge south and never get to the tunnel. Why the Corzine Administration excluded the portal bridge south from the whole scope of this pricing of this job is something that, you know, you'll have to ask the Corzine Administration, I don't know.

But FTA, Federal DOT, New Jersey Transit, New Jersey DOT all confirmed to me during the time I have been Governor that the Portal Bridge South was not an optional project regarding ARC. It was a mandatory project and that every bit of the costs of that had to be borne by New Jersey. So, you are not taking New Jersey's price, even under the original Corzine estimates, up to \$3.5 billion. The 2.7 that we were committed to under the 8.7 price tag plus \$800 million for portal bridge. Now you're up to 3.5 billion for New Jersey with no cost overruns with the project coming in exactly on budget. So, federal transportation officials put out as you know their range of the low, medium, and high range for this project. Understand this – the low range that 9.77 billion dollar number that they used, by federal transit authority estimates had a 10% probability of the project being completed at or below that range, 10% probability. The mid-range number had a 40-50% probability by their estimates of coming in at or below that range and the high range had an 83% probability of coming at or below that range. So put this in perspective. Even on the high range, there was still a 1 in 6 chance that the price would exceed the high range of 5 billion dollars in cost overruns. Still a one in six chance that that would happen and a one in ten chance that it would come in at or below the low range. We then asked this working group to work on potential ways to deal with the cost overruns and the expense that it would mean for the people of this state.

There are some issues that were raised and I want to walk you through those. First, phasing in the project to reduce the scope of it in the near term. There was a thorough review done by the group that made it clear that this approach would only delay, but not eliminate New Jersey's responsibility for the higher costs while significantly diminishing the value of the project to a large number of transit users. Scaling down this project would merely reduce the utility for the project to the people who would ultimately use it and would not reduce, in the end, any significant way the price that New Jersey tax payers would be on the hook for. Next, the idea of financing this project through the Federal Railroad Rehabilitation and Improvement Financing loan program. The federal rail administration is authorized to provide in instances like this direct loans and loan guarantees of up to 35 billion dollars. The loans can fund up to 100% of these qualified railroad projects and they ultimately need to be repaid. It is just another way of issuing debt. Except that you borrow the money from the federal government instead of New Jersey Transit or the State of New Jersey issuing bonds. Regardless of the terms that would be offered, in the end the tax payers of New Jersey would be on the hook for every nickel of the cost overruns. They just would get to pay it back with interest over a longer period of time rather than pay it up front. No way does that option diminish the burden on the tax payers. No way does it allow anyone else to help share the burden with us.

There also was the issue raised of a public/private partnership. The federal team has pointed to the success of these three P's as they are called in the business – the Port of Miami Tunnel, the Denver Union Station, the Denver Eagle Transit project. There is – it was pointed out to us that there was some interest in the ARC project from some private facilities. But remember this, none of that will address the cost or the technical risk in the project. None of it will absorb additional costs from the tax payers because in the end, New Jerseyans are going to be responsible in some fashion to pay for the costs of it. In essence, it's the difference between public financing and private financing. It's really the only difference. You bring a partner in – we are still, the State of New Jersey and its citizens are going to have to pay for the cost of it.

PART 2:

There was also some discussion of ways to more closely tie the proposed ARC station below 34th street to the existing Penn Station which has been one of the problems with the project from the beginning. As well as using the new station to have some increased regional and national benefits that would in turn attract additional funds for the project in the future - as a way once again - to try to take some of the burden off of the taxpayers of New Jersey, and place it elsewhere. Even if that aspect of the project was successfully implemented, it would not provide a means for covering current cost overruns nor the contingencies necessary to conclude a funding agreement with the FTA, and I'll get back to that in a second. Simply put, it wouldn't hold taxpayers harmless in New Jersey for cost increases and cost overruns that have already emerged, and could continue to be even greater as the project moved forward over the next eight years.

So on Sunday, I met with Secretary LaHood and Deputy Secretary Porcari to discuss those options. Those were the four options that they laid out for me, and we discussed what else the federal government might be willing to do. One of the proposals was to increase federal funding, Port Authority funding, and New Jersey funding by \$378 million each to get to cover the overage now on the low-end estimate, that would exclude the portal bridge south and any contingency for the approximately ninety percent likelihood that it would cost more than that. So I want to be clear: the money that was brought to the table on Sunday when we met was \$378 million additional dollars in federal funding. The rest had to be absorbed by the state of New Jersey and the Port Authority, and that would only bring us to the 9.77 number, which had a ninety percent likelihood of being higher than \$9.77 billion. If that ninety percent likelihood came in, the taxpayers of the state of New Jersey are on the hook for every dollar over the 9.77 billion.

A federal railroad loan ranging from a low of \$775 million to cover the cost of

construction of the portal bridge to \$2.3 billion to cover the increased state share of the difference between the \$8.7 billion budget and the FTA low-end estimate of \$9.8 billion could've been secured by us, but again, that's just borrowing money from one place that we're eventually going to have pay back as the people of New Jersey have to pay it back. A public-private partnership contribution of \$1.85 billion, representing the difference between the \$8.7 billion and again the low-range estimate of the 9.77, plus the portal bridge south. But again, the citizens, the taxpayers, the riders, would have to come up with a way to pay this private entity through additional fees and costs to be able to make that a viable alternative.

Lastly, there were suggestions of near-term scope reductions of the project of about \$700 million. Even that, as I mentioned earlier, would make the tunnel less beneficial to the folks who were going to use it, and in the scope of a \$2-5 billion projected overrun now, is only taking \$700 million off the table by reducing the scope of the project and reducing the effectiveness and efficiency of the project.

So I want to - first off by saying - I really appreciate the efforts of Secretary LaHood and Deputy Secretary Porcari. They are real professionals, I have great admiration for both of them. They conducted themselves in a completely professional apolitical way throughout this entire process, despite the politics that others were injecting into this process all during the time period that we were working together. They were complete professionals, and I think they came forward with the best faith offer that they were authorized to come forward with. In the end, the decision-making on this kind of thing rests with others above their pay grade or in a different branch of government, and so I want to thank Secretary LaHood and the Deputy Secretary for their efforts for personally meeting with me on a Sunday to review all of these options. A great deal of time was put in by their staff and by our staff to prepare for that meeting, and it was a very frank and direct meeting. And I appreciate that, and I think the Secretary - I did not know him well before this interaction, I had only met him once at the National Governors Association in Washington back in February.

But I come away from this an enormous fan of Ray LaHood. He is an experienced public servant and somebody who I believe had the best interests in trying to move this project forward at heart, but never once made it a political issue. He understood that for me, it is a dollar and cents issue and he dealt with me that way very forthrightly and upfront manner. In the end, my decision is not changed. I cannot place upon the citizens of the State of New Jersey an open-ended letter of credit. And that's what this project represents, because to sign the full funding agreement - and this is what I wanted to follow up with you on from my earlier comment - the full funding agreement requires two things: That the State of New Jersey shows the source of the revenue for any projected cost overruns and as Governor on behalf of the state, to accept full responsibility for the payment of anything above the \$3 billion federal new starts grant. Nothing in the last two weeks has changed that, and so in the end what the proponents of this plan are asking me to do, on behalf of citizens of this state, is to hand them over a blank check. I simply will not do that to the people of the State of New Jersey.

This is how we got ourselves into the third highest debt load in America. This is how we got ourselves in to the awful fiscal mess that we're in, and often during the campaign, I would say that if I were elected I would make the hard decisions that were necessary in order to return our state to fiscal health. And there were many in the press and in the public that said – what are those hard decisions? Can you be specific? You can't, because as Governor you don't know what's going to come across your desk, and all during the campaign I relied upon the Corzine Administration's representations about this project and I supported it. But when you become Governor and you start to be presented with the information I was presented with, you're presented now with a choice of a project that I do think is a worthwhile project, but that we simply cannot afford. And so if you want one of the examples of what I meant back in the campaign about a hard decision to eliminate a project that has some worth to it, but that because of the fiscal conduct of Republicans and Democrats that came before me that we simply no longer can afford, here's an example. And so I do this with no sense of happiness at all but I do this with an absolute sense of resolve and commitment to the promises that I made to the people of the state and what I believe is responsible conduct of the chief executive of the state. And so we move on from here. I have instructed Mr. Weinstein to continue the orderly wind down and closing of this project. This decision is final. There is no opportunity for reconsideration of this decision on my part. I am done. We are moving on.

The last two and a half weeks were meant to give thoughtful consideration to options that were available, that's why when all of you were clamored and following me around asking me for a position on Friday or Saturday or Sunday – you know, I got this information on Friday. I wanted to meet with the Secretary personally to make sure I understood all of it and that I had every bit of information that I needed to be able to make this decision. And then after meeting with him on Sunday, I told my staff that I wanted another 48 hours to think about it myself before I made a final decision. And so when I said to all of you curtly in the last couple of days, I'll make this decision when I'm ready to make the decision, I think I said that to you in particular. You know, I was telling you exactly how I felt. I didn't want to announce this decision until I was ready to make the decision. I made the decision last night and we're announcing it this morning. I want to thank Jim Weinstein and Bill Baroni and Wayne Hasenbalg for all the time and the hard work that they put into this. And again I want to reiterate my thanks to Secretary LaHood and Deputy Secretary Porcari. They are complete professionals and I appreciate their input to this. I know they wish the project was going forward but I also know that they understand that my responsibility is different than theirs and I'm executing my responsibility in the way that I believe is best for the people of the State of New Jersey and our long-term fiscal health.